



Roche

In a world of its own



Cyberbanking Share trading on the Net



Supercomputing Cut price

versions

US tobacco

Self condemnation

Books, Page 14

World Business Newspaper

German MPs to debate shop hours reform

The fate of German shop opening hours could be resolved today when the Bundestag, the country's lower house, finally considers liberalisation. Pressure for reform the the rigid rules has been growing for years and leading economics institute Ifo has said it could create up to 50,000 jobs at a time of record unemployment. Page 3

Ticket scandal hits UK football organisers

A ticket scandal has



rocked Britain's Football Association only weeks before it is due to launch the UK's biggest sporting event for 30 years. FA commercial director Trevor Phillips (left) has quit and police are prob-ing the sale of tickets for the European Championships, the association confirmed. The investigation is said to focus on corporate hospitality tickets

rather than tickets for sale to the public. Page 16 **Trial of ex-Nazi opens:** The trial of 82-year-old former Nazi SS captain Erich Priebke on war crimes charges began in a Rome military court. Extradited to Italy from Argentina last year, Priebke is accused of helping the massacre of 335 Italians in caves outside Rome in 1944. Page 2

EU seeks tougher controls: Britain has been told to toughen controls on gelatin and tallow production as a condition of getting the European Union to start lifting its ban on beef products.

Boost for Ericsson: Swedish telecoms group Ericsson boosted first-quarter profits by 28 per cent to SKr1.55bn (\$227m), thanks mainly to a 36 per cent jump in turnover by its mobile products divi-sion. Page 17

Protesters fight police: German anti-nuclear protesters fought police in the northern town of Danneberg in a last-ditch attempt to prevent a nuclear waste shipment reaching a depot in north-ern Germany. Several demonstrators and police were seriously injured. Page 3

Newscorp shares fell almost 3 per cent after Rupert Murdoch's media and entertainment group reported a sharp drop in third-quarter after-tax profits from A\$251m (US\$200m) a year earlier to A\$77m. due mainly to a A\$204m abnormal item. Page 22

Profits fall at UK supermarket: British supermarket group J. Sainsbury announced its first drop in underlying profits in its 22 years as a public company. Pre-tax, pre-exceptional profits fell from \$308m to £764m in the year to March 9. Page 17;

Slovak privatisation shelved: Slovak prime tion of the country's main banks indefinitely.

Vietnam contracts on hold: Four telecoms contracts totalling some \$1.4bn appear stalled because of Vietnamese worries about letting foreigners into the sector and a shift in the country's revenue forecasts. Page 6

israel and UN at loggerheads: Israel clashed with the United Nations over a UN report that questioned whether Israel's bombardment of a UN base in Lebanon last month was an accident. More than 100 civilians were killed. Page 4

Hashimoto in call to banks: Japanese banks should bear more of the costs of liquidating the country's bankrupt housing loan companies, prime minister Ryutaro Hashimoto said. His call signalled that the government may change its plan to spend public money on the liquidation. Page 4

Swissair monopoly may go: Switzerland wants to end the its national carrier's monopoly in domes-tic air traffic following Swissair's decision to concentrate international flights on Zurich. Page 2

UK van maker seeks partner: British vanmaker LDV is looking for a development partper, possibly in Asia. LDV has risen from the ashes of the former Leyland Daf group. Page 12

America Online, the US consumer online information company, is to launch a joint venture in Japan with trading company Mitsui and Nihon Keizal Shimbun (Nikkei), publisher of the leading Japanese business newspaper. AOL's third quarter revenues leapt 185 per cent to \$312.3m. Page 17

Clinton challenge: President Bill Clinton challenged the Republican majority in the US Congress to pass the necessary legislation without "poison pills" that would ensure his veto. Page 11

STOCK MARKET INDICES	E GOLD
New York Inschlüsse Dow Joses Intl Av5,381.57 (-39.38) RASDAQ Composite1,188.38 (-14.29)	New York: Correx (Jun)\$394.8 (395.8)
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Technology, Page 24

THURSDAY MAY 9 1996

De Klerk angry over new constitution

Sharp divisions with ANC

Rand falls amid fears of disunity in S Africa

By Roger Matthews in Cape Town

Celebrations to mark the adoption of a new constitution by South Africa were marred yesterday by a further sharp fall in the value of the rand and fears that the government of national unity could soon fall apart.

The rand which opened in Johannesburg at R4.35 to the dol-lar, later fell to a new low of R4.48, while industrial shares closed at a five-month low. Mr F.W. de Klerk, leader of the National party, told the constitu-

tional assembly his organisation would next week review its position as a junior partner in the government because of dissatis-faction with some clauses in the constitution. The assembly's vote came two years after elections which ended

the country's apartheid regime and brought President Nelson Mandela and the African National Congress to power.
The National party voted for the new constitution, which passed by 421 votes to two, with 10 abstentions. But Mr de Klerk,

who is also deputy president, expressed reservations about several clauses and complained that the ANC had used its majority to dominate the negotiating process.

This new constitution rings the death knell of multiparty participation in decision-making at the executive level," he said. His remarks reflect the sharp

divisions within his party over compromises struck with the ANC during hectic last minute negotiations. There was particular concern over the clause which says no provision in the section on property rights "may impede the state from taking legislative and other measures to achieve land reform or equitable access to natural resources". This follows a clause allowing

individuals or communities to seek restitution for property seized under "past racially discriminatory laws or practice", which has raised the strongest fears among the farming community, an important part of the National party's support base.
The ANC refused, however, to

accept any wording which would have legitimised land seizures



Ramaphosa after South Africa's new constitution was approved in Cape Town

and other actions committed during the apartheid era.

Foreign and local investors were unsettled by the disputes. The overall stock index ended 80.5 points weaker at 6,795.6, while the industrial index slipped 203.6 points to 7,939.8. Gold shares were a safe haven for investors, with the sector adding 2.5 per cent and rising to a 17month high.

The problems of the rand were highlighted by an announcement last night from the Reserve Bank

that gold and foreign exchanges reserves fell last month by R2.3bn to R11.7bn, mainly as a result of efforts to calm the currency markets.

The fall makes it even less likely that the Reserve Bank could recommend any easing of foreign exchange controls, the removal of which have prompted much of the speculation against the rand.

The National party was also divided over the compromise

to accept a wording which allows Afrikaans to be used as the sin-gle medium of tuition only where reasonably practical" and with "regard to appropriate alter-

not to abuse its power.

Rands and sentiment, Page 4 Editorial Comment, Page 15

bers were unhappy with having

Mr de Klerk has threatened to leave the government, but Mr Mandela stressed yesterday that the ANC's entire strategy was

Brussels seeks more power to combat fraud By Bruce Clark in Brussels Criminal gangs operating across national borders The European Commission said Criminal gangs operating across national borders Sugar from central and eastern

authority to combat the mounting threat posed by organised crime syndicates, which were operating across national bound-aries and were intent on defrauding the European Union.

Ms Anita Gradin, the commissioner responsible for fighting fraud, said 4,750 cases of malpractice, involving Ecul.15bn (\$1.42bn) or 1.4 per cent of the budget, had been reported to the Brussels executive last year. This compared with 4,130 cases, involving Ecul.09bn, in 1994. But the Commission's 1995

report on fraud said the most disturbing development was the huge damage done by a minority

vesterday it needed greater of large-scale swindlers; some 10 tutions were involved. She said als and on olive oil subsidies per cent of the cases accounted sectors where levels of fraud

for half the money lost. Ms Gradin said the agricultural budget, which accounted for about half the fraud cases, was being cheated by "criminal gangs" which also specialised in the drugs trade and money-laundering. "We are struck by the fact that there is more and more organised crime," she said, adding that many crime syndi-

cates straddled national borders and could not be countered by individual nations acting alone. Ms Gradin said more of the responsibility for fighting fraud should be a core function in which all European Union insti-

with that of maintaining the internal market, which was part

of the core institutions' lob. Most co-operation in the fight against crime takes place under the poorly functioning "third pillar" which brings together the interior and justice ministries of the EU's 15 members.

The 1995 report showed a decline in the value of newly detected fraud cases in the farm sector - to Ecu316m, compared with Ecu489m in 1994 - and said this partly reflected reforms in the Common Agricultural Policy. Because of these reforms, expenditure on export refunds for cere-

The companies claim a geo

graphic fit. Adia's main strengths

are in the UK, Germany, Switzer-

land, Japan, Australia and the

key US market, complementing

were high - had been reduced. However, the reported value of fraud cases related to the EU's structural funds had risen sharply from Ecu21m in 1994 to Ecu67m in 1995, the report said, although it added that this might reflect a tightening of member states' obligations to report fraud

as soon as it was discovered. As an example of cross-border

market without being subject to duty. This was often made possible through the abuse of transit

The Commission said 4,000 calls had been received on an anonymous telephone line established last year on which suspected fraud could be reported. About 200 cases had been investigated leading to the discovery of

US groups team up to develop new jumbo engine

By Michael Cassell and Michael Skapinker in London

General Electric and Pratt & Whitney of the US are to collaborate for the first time to develop an engine for the new generation of Boeing "super-jumbo" aircraft due to enter service early in the

next century.

After six weeks of talks, the two aero-engine manufacturers announced yesterday they would develop and market the engine for new versions of the Boeing 747 through a 50-50 joint venture

They said the project, likely to cost up to \$1.5bn, had been discussed with Boeing, which had urged them to explore a joint programme.

The decision is a potential blow to Rolls-Royce of the UK, which has been mentioned frequently as a potential merger partner for Pratt & Whitney.

However, Rolls-Royce last night said, it hoped to offer one of the existing Trent family of engines - or a variant - to power both the proposed 747-500, an extended range version of the 747-400, and the 747-600, a stretched version carrying up to

GE said talks on the location and the precise workings of the new company would take place over the next few months.

The companies are defining the engine's technical specifications and the structure of the joint venture. Management for the venture will be held solely by the two partners, although they said additional revenue-sharing participants would be considered for the programme.

They confirmed the previously stated intention to have the engines on sale by 2000. Boeing has said it wants to

the 747 by the end of the year The partners claimed the engines would offer Boeing and the airline industry "the best engine in a timely fashion and at a significantly lower cost".

GE and Pratt & Whitney have both complained about the cost of developing engines and have said it would be preferable for

Continued on Page 16

European job agencies plan merger to rival world leader

By David Buchan in Paris

Two European employment encies - Ecco of France and Adia of Switzerland - plan to merge, forming a group with sales of about FFr32bn (\$5bn) a year which will challenge the US company Manpower for world leadership of the sector. Under the deal announced yes-

terday, Adia will absorb Ecco by offering 1.028 shares for each Ecco share, with a limited cash alternative. The company will be Swiss, but will be renamed and quoted on the Paris, Zurich and New York stock exchanges. The move comes as demand for temporary staff, particularly in

ture without increasing permanent overheads. The merger will put the group level with Manpower, the current leader with 8 per cent of the world market in personnel services if Manpower's franchises are taken into account.

There is no agreement yet on the name, except it should reflect the two existing brand names.

Adia, with turnover of SFr3.66bn (\$2.94bn), is smaller than Ecco which had sales of FFr20.5bn (\$3.97bn) last year but the Swiss structure has been chosen for the new group. Adia is listed on more exchanges than Ecco, its share price has recently performed better, and its public shareholders were felt to be more sensitive over a foreign takeover than Ecco's.

The chairmen of the two com-panies will alternate as president, Mr Philippe Foriel-Destezet of Ecco will hold the job for the first year, followed by Mr Klaus Jacobs of Adia. Mr Foriel-Destezet and Mr Jacobs control, respectively, 46 and 58 per cent of accounting, computing and engitheir companies and have neering, is growing fast as compledged to remain long-term panies seek to expand or restruc-

shareholders of the group. The new company will have combined revenues of about FFr32bn after Ecco sells its small security and cleaning business to Mr Foriel-Destezet. The two companies see poten-

tial growth from gradual labour

deregulation in leading econo-

mies such as Germany and

Japan, where temporary employment has been costly or difficult.

CONTENTS

Ecco's presence in France, Spain, Canada, south America and south-east Asia. Mr John Bowmer, a Briton who has been the California-based chief executive of Adia, will assume that role in the new group. On the basis of their 1995 results, the combined net income of the companies was FFr1.07bn At a Paris press conference, Mr Foriel-Destezet and Mr Jacobs claimed the merger would bring

> keting. Despite claiming an additional one-off tax saving of FFr210m from the merger, planned to be completed in late July, the companies warned that the new group would show a net loss for 1996. This is because of the need, under American accounting rules which the group will adopt, to write off goodwill arising from

the merger.

FT Actuaries .

Gold Markets

19-22

FT/SP-A Wild Indices

savings of FFr85m a year from

rationalising operations and mar-

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EUROPEAN NEWS DIGEST

Russia expels

Estonian envoy

Russia yesterday expelled an Estonian diplomat from Moscow

neighbour and starting another diplomatic row.

Russian officials said the move followed an Estonian request

to withdraw one of their diplomats from Tallinn after allegedly indulging in activities "incompatible with their diplomatic

status". "In other words, this can be described as retaliation."

Earlier this week, the Russian authorities threatened to expel up to nine British diplomats following the arrest of an

illeged informer. British embassy officials held further talks

Neither side commented on the substance of the talks. But it

appears likely the Foreign Ministry will soften calls from the

FSB, Russia's counter-intelligence service, to expel up to nine

diplomats. The FSB last month arrested a Russian national

whom it alleged was passing classified information to British

agents and accused nine embassy staff of spying.

Expressing a personal opinion, Mr Mart Helme, the Estonian

ambassador in Moscow, said Russia's security service, the

FSB, might be using the "Estonian card" to defuse the row

in Moscow yesterday to attempt to resolve the stand-off.

for alleged spying, heightening tensions with its Baltic

Russian foreign ministry official said yesterday.

The concept of a new ERM is broadly agreed; the details remain to be thrashed out

than national banks, should determine ERM levels. The

hope behind this is that costly

intervention can be avoided by

making the system as market

hope to avoid instability is by

putting pressure on countries to avoid economic policies -

such as excess deficits - that

might expose their currencies

to attack. Details have yet to

The French, for example,

want to guard against devalua-

funds in national currencies,

rather than the euro, and to

star Vaclay Klaus

a mix of innovation and

tion through threats to pay EU

But another way bankers

credible as possible.

be thrashed out.

By Gillian Tett.

Mr Yves Thibault de Silguy, the European Union's mone tary commissioner, meets British officials today in London keen to market the merits of a new exchange rate mechanism linking countries outside the planned European monetary union with the proposed single

His visit comes as the new ERM concept is gathering momentum. Expectations are growing that both Italy and Finland will join the existing ERM this summer. Broad agreement has emerged among European leaders not only on the need for a new ERM if Emu occurs in 1999 but also on some

principles underpinning it. The European Monetary Institute, forerunner of a future European central bank (ECB), hopes to thrash out many details this summer. However, there is a consensus among Europe's central bankers that any new ERM should be based around loose bands. with some currencies operat-ing in narrower bands if they

The width of the broad bands is thought likely to be similar to the current 15 per cent. with smaller bands of about 2.5 per

On the face of it, this would leave a future ERM looking lit-tle different from the present one – with the key distinction that ERM currencies would be

anchored around the euro. rather than each other. But the expectation is that the national banks of currencies under attack would have to bear much of the responsibility for intervention rather than relying simply on the ECB to bale them out.

This would not preclude some assistance from the ECB. But calls from such countries as France for a rigid system of intervention commitments look set to be squashed. Nevertheless, if the ECB's intervention commitments are limited, then one of the key bargaining points this summer

reduce structural funds to EU will be how much power it will members who run deficits. have in setting ERM rates. Many bankers currently The Commission will prothink that the ECB, rather duce a report on the these ideas by the next formal meeting of EU ministers in the sum-

They are fiercely opposed by many member states and are regarded with scepticism by some key Brussels officials. Another idea, proposed by the Commission, would be to

bolster existing measures in the Maastricht treaty which allow (in a very vague form) for surveillance and sanctions against countries with excessive deficits. The Commission partly

hopes to use this to counter German proposals for a fiscal "stability pact" for the euro area. But it also hopes it would make the ERM more credible, arguing that better surveillance of countries' monetary

Civic Democratic Alliance (ODA)

Christian Democrats (KDU)

Social Democrats (CSSD)

and budgetary policies could support currencies.

The prospect of national bud-

gets being scrutinised by fellow member states - or the nmission – is controversial in countries such as Britain. But most European central bankers regard some form of policy surveillance as desirable although how the ECB would relate to other European institutions in this is unclear.

As one banking official says: Surveillance is a lot cheaper

than intervention. It is these subtle issues of surveillance, rather than eyecatching questions of currency bands, which are likely to provide the real meat for debate over the rest of the year. Editorial comment, Page 15

Slovenia Czech centre-right: on course for victory The main parties: latest opinion polls Civic Democratic party (ODS) 27.0% credit 8.5% 8.2% 43.7% ratings 20.5%

East Europe Correspondent

The leading US and European credit rating agencies have given Slovenia, the most developed of the former Yugoslav republics, the highest initial ratings of any of the former Communist economies of cen-tral and east Europe.

Standard & Poor's and Moody's of the US, and the Ruropean agency IBCA all said yesterday they had placed Slovenia in the "A" category at the same level or slightly above the Czech Republic, previously the most highly rated of the transition economies.

This provides important support for Slovenia's strategy of building an independent presence in the international capital market and will help lower financing costs. It is the first of the former Yugoslavia states to obtain a credit rating, but could be followed by Croatia later this year.

will be lead manager.

cial moment for Slovenia. It is trying to implement a landmark deal with the commercial banks for its share of the foreign debts of former Yugoslavia, in the face of legal action by Belgrade to try to halt the deal.

uncertainty created by the litigation, the foreign debt agreement had set a model for the other former Yugoslav republics to follow and had been supported by the International Monetary Fund.

from all three agencies.

rating was constrained by the challenge of further lowering inflation and the need to implement wide-ranging public sector reforms, in particular pensions and healthcare.

in both 1996 and 1997 led by strong investment in the rapidly expanding private sector. the revival of tourism and the resumption of economic relations with the other states of former Yugoslavia. S&P assigned the Republic

than Slovenia.

The ratings are independent evaluations and allow investors to compare the creditworthiness of different debt issues from different countries and

wins high

By Kevin Done,

The Republic of Slovenia is planning its maiden issue of around \$200m in the Eurobond market in July: JP Morgan

The ratings come at a cru-

IBCA said that despite the

Slovenia is the only one of the transition economies to hold "A" category ratings

S&P said that its rating reflected the country's "track record of responsible and consistent economic management. in particular tight monetary and fiscal policies, which resulted in an impressive and early stabilisation of the econ-

omy' It warned, however, that the

it forecast growth of 5-6 per cent in gross domestic product

of Slovenia its "A" rating for foreign currency debt and "AA" for local currency debt, while the other two agencies gave ratings one notch lower at "A-" for IBCA and at "A3"

for Moody's.

Slovenia, which is rated by
S&P and 1BCA at the same
level as the Czech Republic, is placed ahead by Moody's, which rates the Czech Republic at Baal, one notch lower

of central and east Europe

only Slovenia and the Czech Republic have received investment grade ratings from all three agencies, signalling only a very modest risk of default. Slovakia and Poland both have the lowest investment grade rating of "BBB-" from S&P and Moody's, while Hungary has the same rating from IBCA. Other ratings for Poland, Hungary and Romania are all in the non-investment

or speculative grade category.

Economic gloom besets EU

Economic sentiment within the European Union showed little sign of improvement in April, with consumers still hampered by worries over jobs and the state of their economies, the European Commission said yesterday.

The Commission's monthly economic surveys, one of the most comprehensive barometers of public opinion within the EU, found a slight fall in sentiment in the industrial sector where a modest rise in France was offset by further weakness

The Commission's preliminary figures for capacity utilisation in the EU showed a decline of one full point between January and April. There was also a worsening in employment expectations in the construction industry. Consumers, meanwhile, continued to display a lack of confidence in the so-called "general economic situation" and offered a dim assessment of future employment prospects. The worsening in the jobs outlook was most noticeable in Germany, France and Greece.

Reuter, Brussels

Italy's farmers in policy protest

Tens of thousands of farmers from north and central Italy gathered in Milan's cathedral square yesterday to protest against what they see as government indifference to the plight of agriculture.

The three main federations representing owners and workers said some 100,000 people took part in the march and rally, making it one of the biggest protests by farmers in recent times. Other demonstrations are planned for southern Italy and Rome.

The farmers called on the next government, which should be formed later this month, to institute a more concerned policy of agricultural development.

Yesterday's demonstration was also marked by deep concern about the UK scare over "mad cow" disease. Although the disease has not been detected in Italian cattle and the import of British beef products is blocked, the price and consumption of meat products have fallen.

Farmers claim the government should have fought harder in Brussels to win compensation for Italian meat producers. "Healthy cows, mad government," was the message on one placard.

Andrew Hill, Milon

Rome trial opens on SS atrocity



The trial of former German Nazi SS captain Erich Priebke. pictured above being escorted into court, opened in Rome yesterday 52 years after one of the worst atrocities committed in Italy during the second world war.

Priebke, 82, is accused of taking part in the Ardeatine Caves massacre of 335 Italians in March 1944. He faces life imprisonment if convicted. Priebke's trial follows his extradition from Argentina last November. He is charged with participating with other soldiers in multiple murder aggravated by cruelty. He is expected to plead that he was only carrying out orders. The massacre was carried out in reprisal for an ambush by the Italian resistance in which 33 German soldiers were killed and 53 wounded.

At a preliminary hearing in April, Priebke blamed the Italian partisans who set off a bomb in Rome on March 23, 1944, as an SS troop detachment was passing. He said the order to retaliate had come from Hitler himself and if he had not obeyed he would have been killed. Agencies, Rome

Slovakia bank sell-off postponed The privatisation of Slovakia's main banks, originally planned

for the end of February this year, has been indefinitely postponed. Mr Vladimir Meciar, the prime minister, said yesterday. "The original concept had been clear until the end of February, but then we had to postpone some things and then we began a re-evaluation process." Mr Meciar said. Last January Mr Meciar announced that Slovakia's largest banks Slovenska Sporitelna, VUB and IRB, as well as insurer

Slovenska Poistovna, would be privatised by the end of February. But it had been held up due to negotiations on Slovak assets in the Czech Republic. Reuter, Bratislava

German current account surplus Germany had a current account surplus of DM700m (\$460.5m)

in February, compared with a deficit of DM3.8bn in January and a deficit of DM2.3bn a year earlier, the Federal Statistics Office said. Germany's trade surplus grew to DM8.8bn in February from

DM5.2bn in the previous month and DM5.8bn in February 1996. In the two months to February, Germany had a current account deficit of DM3.1bn, narrower than a deficit of DM3.8bn a year earlier. Germany's trade surplus in the two-month period totalled DM14bn, narrower than DM14.5bn a year earlier. The balance of invisible trade in February showed a deficit of DM1.8bn, down from DM4.4bn in January and compared with DM2.4bn a year earlier. ■ German industry was working on average at 81.9 per cent of its capacity in March, down from 84 per cent in December, according to the latest economic survey conducted by the leading Ifo economics institute. But new orders for German manufacturing industry rose 1.2 per cent in March, faster than expected, the Economics Ministry said. It was unclear whether the improved figures heralded stronger economic growth or were part of a one-off effect.

Michael Lindemann, Bonn Germany's M3 measure of money supply rose an annualised 12.3 per cent in March compared with the last quarter of 1995. in February M2 had risen 12.8 per cent.

Greece's share registration row hits bourse

By Kerin Hope in Athens

An attempt to improve companies has backfired, leading to a slump in trading on the Greek stock exchange and uncertainty for foreign compa-

nies working in the country. The bourse authorities have suspended trading in 39 Greek companies involved in large infrastructure projects until their shares are registered in the names of individual

In a move intended to discourage speculation in shares of construction and high-tech companies bidding for public works projects partly funded by European Union grants, the government ruled that shares in such companies must be registered under individual

All 30 construction companies listed on the bourse have had their shares suspended. The authorities say they failed to comply with new legislation giving a May 2 deadline for a switch from bearer to regis-

tered shares. One official said: "The big contractors ignored the deadline thinking they could use political clout to get a postponement of several months.

This is not the case." Trading volume on the bourse dropped to around a daily average of Dr3.3bn (\$13.5m) this week, compared with around Dr6.6bn last month. Though the sector has lost ground recently because of delays in awarding contracts for EU-financed projects, trading in shares of the 30 listed construction companies still accounted for around 20 per

cent of daily volume in April. The Socialist government intends to make all 200 companies listed on the Athens

At present only shares in Greek banks are registered. Construction companies have appealed to their share holders through newspaper advertisements to hand in their bearer share certificates as soon as possible and register for new ones. Investors are being warned that unless they do so, they will be unable to sell their shares or claim 1995

Trading in construction shares may be frozen for several weeks until a majority of companies have made the

changeover. Brokers complain that the new legislation does not make clear whether institutional investors and foreign companies can claim exemption from registering their shareholdings under an individual name and use a company name, in line with securities regulations in the rest of the European

An Athens broker said: "The move for more shares to be registered is good news for the bourse. But in its present shape, the new law implies discrimination against interna-

tional investors." One company affected by the legislation is Ericsson of Sweden, which holds an equity stake of about 10 per cent in Intracom, a Greek telecoms equipment manufacturer which is one of the biggest suppliers to OTE, the state telecoms monopoly.

International institutions also have shareholdings in Aktor and Helleniki Technodomiki, two large Greek construction companies which are participating respectively in international consortia awarded contracts to build a Dr450bn toll highway as part of a ring road for Athens and a

Dr210bn bridge in western

bourse issue registered shares. Swissair could lose monopoly

Switzerland's government said vesterday that it wanted to end the legal monopoly in domestic air traffic held by Swissair, the national carrier, and would liberalise its domestic air policy, Reuter reports from Geneva.

The decision was tied to a recent decision by Swissair to concentrate international flights on Zurich, making Geneva a secondary centre for its operations.

The government said it would offer more liberal carrier rights to non-Swiss air-

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This exchange of rights would have to be negotiated, it said. The liberalisation would also affect Geneva airport.

ing that it welcomed the government's plans to end some restrictions on rival airlines flying in and out of the country. A spokesman said the airline was in favour of the move, which was likely to lead to more rights for Swissair within the European Union.

By Wolfgang Münchau

Pop star Michael Jackson has

pulled out of the German leg of

his forthcoming European tour because of the level of tax the

government levies on box

siderable skills in inventing

new taxes and changing exist-

Mr Jackson's decision high-

lights a problem faced by a

large number of foreign artists

in Frankfurt

office receipts.

ing ones.

lines in exchange for reciprocal

Swissair responded by say-

of things going right n the days when political prisoners languished in to which disgruntled voters can turn. The failure of the Czechoslovak jails, the KSCM to reform itself meant Communist party was ensconced in an enormous rivthat the left has developed in a different way than in Poland or erside headquarters on the Hungary, where ex-Commu-

edge of Prague's Old Town. Now, Václav Havel, the country's most famous political prisoner, occupies the presi-dency in Prague Castle, and the Czech Communist party (KSCM) has fled to one floor of a grimy old palace on Political Prisoners Street, the resonant new name of a traffic-choked alley off Wenceslas Square.

Defiantly keeping its name and neo-Stalinist ideology, the KSCM is on the margins while the country undertakes successful economic reforms under its prime minister, Mr Václav Klaus. Through its failure to reform it has also found its political constituency taken by the Social Democrats (CSSD), the traditional party of

the left in Czech politics. As opinion polls bear out, the Czechs look set to return the centre-right coalition in a general election on May 31 and June 1. If they do, they will break a recent cycle that has seen reformers ousted and "post-Communist" governments returned to power across central and eastern

Europe. Mr Miroslav Grebeniček, the KSCM leader, still espouses collectivisation and a powerful state, and claims the events of the past six years have created freedom and democracy for the rich and bureaucracy for

The party's appeal now is to pensioners and those who genuinely long for the old days, and it has a core 8 per cent support base. But, in a country with a tradition of social democracy dating from 1878. with a brief but much recalled period as a prosperous democracy from 1919 to 1938, and which is in the middle of a conservative revival, Mr Grebeniček admits the market for unreconstructed Marxism-Leninism is small.

The Czech Republic is rare in

nists have returned to power in recent elections. President Václav Havel described the pre-1989 Communist party as "one of the most conservative and most sclerotic" of the eastern bloc's leaderships at the time. After

Czech right reaps reward

The mood is conservative, and continuity

is the theme of the election, writes

the Prague Spring was crushed

in late 1989 a few young

CSSD quickly filled the vac-

through free mass privatisation and property restitution combined with rent controls and artificially low energy prices, ensuring that the transition has been quite painless. This consensus was made

campaign has seen its support

slip from a peak of 24 per cent

last summer to 20 per cent

now. Given the public animos-

tion with the KSCM is out of

Mr Klaus, who leads the

Civic Democratic party, the

country's dominant political

force, has created a wide con-

sensus for reform through a

mix of innovation and pragma-

tism. He eschewed shock ther-

apy, the death-knell of reform-

ers in Poland and Hungary.

and kept voters on-side

the government has been care-

ful not to alienate pensioners.

Blue- and white-collar workers

alike own a stake in the econ-

omy as a result of mass privati-

The mood of the country is

now firmly in the conservative

camp, and continuity is the

theme of the election cam-

paign. "It is very difficult for

[the left] to win votes in a

country where most things

have gone right since 1989," Mr

If there is to be a swing to

the left it could happen during

the lifetime of the new parlia-

ment. Some tough decisions on

deregulating important areas

of the economy, especially

energy prices, remain to be

tackled. Faster industrial

restructuring is likely to push

unemployment much higher

These developments will

have a sharp impact on

incomes and could sharpen

social divisions, perhaps fuel-

ling the kind of backlash that

saw Poles and Hungarians tire

of reform. But in the view of

Mr Pehe: "There may be a nat-

ural swing to the left, but it

than the current 3 per cent.

Pehe notes.

the question.

possible by the country's social Vincent Boland slant. There is no angry smallfarmer lobby as in Poland, and

by Warsaw Pact troops in 1968 the new leadership abandoned all attempts at "goulash communism", and reformers were expelled. After the Velvet Revolution

reform-minded members either quit politics or joined the new parties that emerged to fill the political vacuum. Mr Vladimir Dlouhy, the present industry minister and a member of the centre-right Civic Democratic Alliance, is a prominent exam-The re-emergence of the

uum on the left, says Mr Jiří Pehe, a political analyst at the Open Media Research Institute, causing a further crisis for oldstyle communism. Prominent. in the First Republic from 1918. the CSSD was the second-biggest party in the election that brought the Communists to power in 1948 but was then

strong post-Communist party ment. But it is beset by weak will be gradual."

Now it is again the secondbiggest party running in the election, offering a left-of-cen-

the region in not having a tre alternative to the govern-

High German levies lead Michael Jackson to call off his visit

Tax strikes sour note with singer year, when the government introduced the law. Tax experts representing the music and entertainment

ased in London, even claimed Special tax rules for foreignthe new tax was in breach of the Treaty of Rome. "The Gerers in the 1996 tax law would have forced Mr Jackson to pay mans are behaving unconstitumore in tax than he would tionally." he said have received in earnings.
It is one of the toughest tax regimes ever introduced in The music industry in this country feels that Germany is the toughest on this issue and Germany, and bears testimony the worse behaved of all." He to the finance ministry's consaid the new tax regime was

industry have been pressing

Bonn to soften the new rules.

Mr Richard Rees-Pulley, of

accountants Touche Ross

rigid and unrealistic. The tax was raised on a nominal profit not the real one. "This is not some wealthy musician whingeing. The likelihood is that less and less peosince the beginning of the ple will tour in Germany. It

causes massive cash flow problems. For baby bands trying to break in, the profits are very slender. They could end up making a loss."
Under the new rules, Ger-

many has not only increased the withholding tax on box office receipts, but has also prevented artists from offsetting production expenses against tax, allowing only a lump sum.

Since Michael Jackson's production costs vastly exceed the lump sum allowance provided for by the law, he would have ended up paying more in tax than his net take. Many foreign performers have com-plained that this provision effectively discriminates against foreign performers who have above-average production

Separately, Germany has increased the withholding tax rate on box office receipts from 15 per cent to 25 per cent. On top of that, artists have to pay turnover tax and the unpopular solidarity surcharge tax. The final tax bill on box office comes to between 29 per cent and 31 per cent. The gov-ernment has hinted that it might be ready to compromise

on the new law.

The move has so failed to spark a public outcry, since most Germans are more upset about their own tax bill than Michael Jackson's. But the episode is the latest reminder of Germany's high tax rates. The car industry has recently cried foul after the government increased tax on luxury company cars, prompting a 20 per

ate yi iso 1550

Italian party leaders end short truce

By Robert Graham in Rome

The rightwing alliance defeated in last month's gen-eral elections last night closed the door on a deal to share out some of the main institutional jobs in Italy with the winning centre left alliance.

The decision followed two days of intense negotiations in advance of the formal opening today of Italy's 13th post-war parliament. The main post affected is that of speaker of the senate, offered to the rightwing alliance headed by former prime minister Silvio Berlus-

Failing last-minute negotiations to patch up a compromise, the conflict between the two alliance threatens to cast a cloud over the stability of a new legislature where the government will have a narrow

It also makes it unlikely the opposition will be willing to back the harsh budgetary proposals necessary to bring Italy's public finances into line with the criteria of the Maas-

tricht treaty.
In the wake of the April 21 elections, Mr Berlusconi and his colleagues indicated their willingness to establish a harmonious relationship with the governing Olive Tree coalition. But Mr Berlusconi came under attack from hardliners in his Forza Italia movement and from the rightwing National Alliance (AN), who argued they must behave as a tough opposition and cut no deals.

indicy proteg

As a result Mr Berlusconi proposed over the weekend that Mr Francesco Cossiga, the former head of state, life senator and one-time senate leader be their candidate for senate speaker. Mr Cossiga is regarded with suspicion by the left for his controversial role as a former interior minister and while head of state. Thus Mr Cossiga's candidature put the Olive Tree on the spot and after very little discussion he was declared unacceptable. But in rejecting Mr Cossiga,

the centre-left placed themselves in the position of being seen to dictate the terms. It also allowed the right, in

the name of fair play, to voice their objections to the Olive Tree's candidate for speaker of the lower house - Mr Luciano Violante, a former magistrate linked to the Communist party, ex-head of the anti-mafia commission and deputy speaker in

the last parliament.
Mr Violante, they claimed,
was too political a figure, and indeed had been one of the principal persecutors of Mr Cossiga when head of state.

To get round these objections, the Olive Tree suggested that Mr Carlo Scognamiglio, appointed as senate speaker in 1994 by Mr Berlusconi and his allies, retain the job. But having publicly backed Mr Cossiga, last night Mr Berlusconi seemed unwilling to back down. This leaves the centreleft with little option but go ahead with their own appointments.

 Anti-mafia investigators in Sicily yesterday froze \$640m of assets, including 130 twofamily homes and 50 apartments, in a crackdown on suspected laundered drug wealth, AP reports from Palermo.

Other assets frozen included 12 offices, eight warehouses, land and 27 bankbooks, whose deposits were not immediately disclosed. Three people were arrested.

The Italian news agency Ansa said prosecutors suspected the wealth was acquired with laundered profits from drug trafficking and other illegal activities of the Cosa Nostra.

The agency said the authorities had been put on the trail of the alleged laundered money while investigating threats made against a prison chaplain in Termini Imerese, a Palermo suburb. The chaplain bad wanted to establish a rehabilitation community for drug addicts in a residential area whose construction was allegedly linked to the Mafia.



CLASHES AT GERMAN NUCLEAR STORAGE PLANT

By Wolfgang Münchau in Frankfurt

A 40-tonne shipment of French-processed nuclear waste arrived at the Gorleben nuclear storage plant in northern Germany yesterday amid some of the most violent anti-nuclear demonstrations ever witnessed in Germany.

Flanked by 15,000 policemen and armoured cars, the shipment was brought to a standstill by a series of clashes that left several demonstrators and police seriously injured. Protesters threw ball bearings at police and fired flare pistols, while police used batons and water canons. About 30 demonstrators were

The police lined country lanes near the medium-term storage depot in Gorleben, 75 miles east of Hanover, and used water

cannon, teargas and clubs against protesters as the shipment, which had arrive by rail from France, covered the last 18km of its journey by road.

Police said the scene at Gorleben resembled a "civil war", adding that the situation was on the brink of threatening the internal security of the country. Politicians from all political parties ioined to condemn the violence.

The demonstrations surrounding the shipment bave reopened old disputes about Germany's nuclear policies and about policing. The shipment is the first of around 110 taking nuclear waste and fuel back to German reactors over the next eight years.

Senior members of the ruling coalition calling for a clampdown on violent

opposition Greens, a long-standing opponent of the government's nuclear policies, of supporting the violence and poisoning the political climate.

Ms Angela Merkel, the environment minister, said there was "no alternative" to the shipment, since Germany was bound to it by international law.

Mr Guido Westerwelle, general secretary of the Free Democrats, the junior coalition partner, said that police should take a tougher line against demonstrators. "Germany is not governed

by the law of the jungle," he said.

The Greens condemned the transport as a "provocation" and described police action as "brutally excessive". Both the opposition Social Democrats and the Greens called for an end to the shipments and a phasing-out of nuclear power.

Turkish MPs set to embarrass ex-PM with new corruption claim

Çiller faces second probe

By John Barham in Ankara

Turkish MPs are expected to vote overwhelmingly today to set up a second parliamentary committee to investigate corruption allegations against Mrs Tansu Ciller, the former prime

But MPs from her True Path party and the rival conserva-tive Motherland party say the vote will not necessarily lead to the collapse of their fractious two-month-old coalition government, even though many Motherland MPs are many Motherland Mrs are again expected to vote against Mrs Ciller. Mr Sedat Aloglu, a True Path MP, said Motherland MPs were

playing "a dirty political game" to unseat Mrs Ciller to enable their leader, Mr Mesut Yilmaz, to take control of the centre right, currently divided between the two parties.

Mr Korkut Ozal, a senior Motherland MP, said: "I do not think there will be a government crisis soon. The Ciller issue will be accepted by about 300-350 votes, but her people will not resign from the government. They will make the calculation and conclude that it is better to continue."

True Path members agree, because Mrs Ciller is to take over as prime minister in January.

They also fear Motherland could form a coalition with the

or call early elections. Refah, which narrowly failed to clinch a coalition agreement with Motherland following last December's elections, is tabling a series of investigations hoping their findings will bring down the government.

Today's vote calls for a committee to investigate claims that Mrs Ciller illegally interfered in the privatisation of

Tofas, a car maker. Two weeks ago, MPs - including 29 Motherland members - voted 232-179 in favour of a Refah motion to form a committee to investigate accusations that Mrs Ciller inter-vened in tenders by the stateowned power company Tedas.

lf parliament approves, a special committee will have up to four months to investigate Refah's claims.

Parliament would then vote on whether the committee's findings merited sending Mrs Ciller for trial before the high court. If it does, she could be prevented from taking over as prime minister in January, as required by True Path's powersharing agreement with Motherland.

Commentators complain that strife in Ankara is preventing urgent action to tackle Turkey's deteriorating economy, with inflation running at 80 per cent a year and interest payments on the ballooning domestic debt taking up half Islamist opposition Refah party the budget.

German MPs to debate shop hours reform

By Michael Lindemann in Bonn

Germany's lower house of parliament, the Bundestag, will today finally consider liberalising the country's shop opening hours, which have become a byword for the rigidities of Europe's largest economy.

Pressure for reform of shopping hours has been growing for years, and the current breakthrough is a symbol of the decline of post-war consensus politics in Germany where everything has been done in agreement with the party to get the law this far. trade unions.

It may also be symbolic of Chancellor Helmut Kohl's determination to force through more deregulation at a time when he faces almost unprecedented protests from a number of

The Ifo economics institute has said reform could create up to 50,000 jobs at a time of record unemployment. Nevertheless, Mr Kohl has had to impose his will on the majority of his

The government unveiled proposals last November, but delayed bringing them to parliament for fear of their impact on Mr Kohl's Christian Demo-

crats in the March state elections. The Bundestag will today give a first reading to the legislation, which is expected to be passed before the summer recess in July.

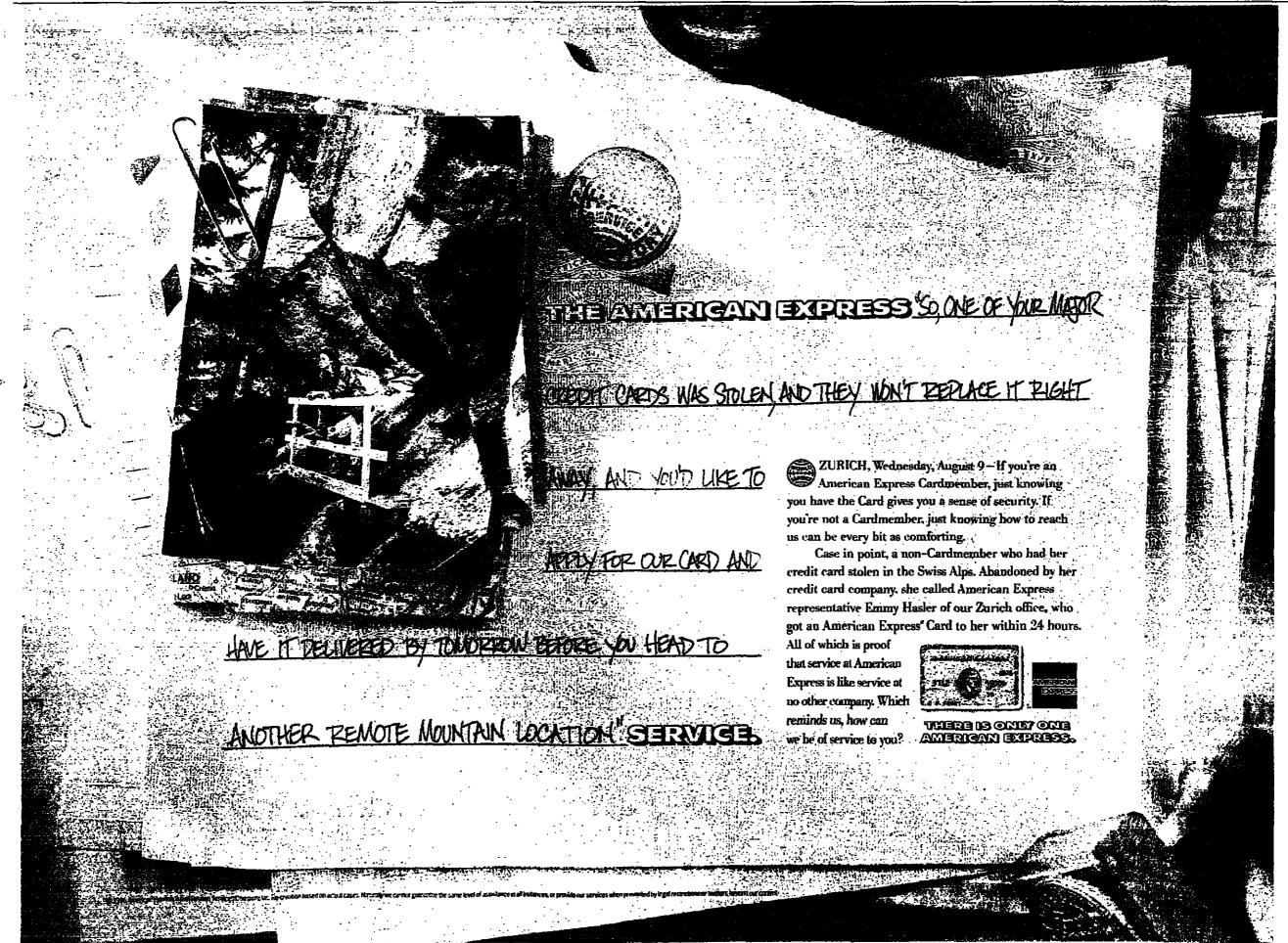
The majority of the opposition Social Democrats, backed by the trade unions, oppose any liberalisation of shopping hours, arguing that many of corner shops will be unable to afford the extra staff needed to stay open longer. They believe any jobs created will be part-time and will not come with the full social benefits which the unions are fighting to maintain.

Recent polls indicate most Germans

want to be able to shop longer and supermarkets insist that extended hours are needed to boost trade. Leading politicians from the government last night appeared to have agreed a compromise which would allow shops to remain open, as planned, until 8pm on weekdays. It would allow the federal states to close shops anytime between 2pm and 4pm on Saturdays, not 6pm as proposed.

Plans for deregulating mail deliv-

ery services were presented yesterday by Mr Wolfgang Boetsch, the post minister, Reuter reports. They would abolish the century-old post monopoly at the end of 2002 by gradually introducing competition from 1998.



Investors ponder BJP's election lead

By Mark Nicholson in New Delhi

India's 48-hour election results telethon, which began yester-day, was likely to be raising more questions than answers for the investors, foreign and domestic, who have relished the Congress government's four and a half years of economic reforms.

The future custodian of economic policy remained unclear as early voting trends emerged. In 203 of 537 seats being counted. Congress led in 82, but faced the loss of 53 seats, iya Janata party led in 44, a gain of seven, while the social justice Janata Dal was 18 seats ahead of its tally in 1991. Indewere also showing gains.

Congress appeared set to win no more than 150 seats. The BJP seemed likely to become the biggest single party, though voting trends had not yet emerged from its northern heartland. However, the final tally of

seats, which will determine the shape of an apparently inevita-ble coalition government, may not be clear until tomorrow. But if the Bombay stock market is any barometer, investors appeared sanguine about the likely outcome. The benchmark BSE-30 index

Brokers said the market rallied strongly from a 50-point dip on jitters caused by Tuesday's exit poll showing Congress heading for an historically poor performance. "Then when they thought about things," says Mr Pravin Shah, Morgan Stanley's head of research, "things did not look

so bad." The reflection was that should the BJP dominate parliament and somehow form a government this need not deter investors. "The BJP in India is regarded as a pro-industry, protrade party," says Mr Jyoti Jaypuria, Merrill Lynch anawould likely be dispelled by a BJP in power." The BJP portrays itself as

India's original party of free trade and liberalisation; core supporters are urban, upper caste Hindus who have gained most from reforms. While its "economic nationalism" would stall opening of consumer goods industries to foreigners, it says it welcomes foreign capital into infrastructure and high technology sectors. BJP-led state governments have generally, after the hiccup of the off-on Enron power project in Maharashtra, striven to attract foreign investors.

will deter the main secular parties and leave it short of a majority. A coalition embrac-ing Congress, Janata Dal, ex-Congress factions and India's communists is deemed likelier.

India's markets and investors have expected some such alignment for months, and viewed the prospect benignly. Congress was the initiator of reforms, went the argument, while state JD and communist governments embraced them, becoming competitive courtlers of private investment.

But this optimism would dim if Congress performs as poorly as polls predict. A Congress

coalition, and may win political partners only at the price of shedding Mr P V Narasimha Rao, prime minister – and, per-haps, Mr Manmohan Singh, his internationally admired finance minister. Moreover, a coalition where leftist and Janata Dal MPs outnumbered Congress could prove quarrelsome

and indecisive. A weak government depending on parties representing the poor and lower castes would resist subsidy cuts and dislike privatisation, might threaten India's already knife-edge fiscal mine healthy corporate and

ingly elevated places in Japan.

one of the six largest commer-cial banks, is one plagued by

bad loans. It was especially

reckless in lending to the prop

erty sector in the late 1980s,

including loans to the housing

loan companies. Last year it

wrote off about Y950bn in bad

loans, the largest of any bank.

president of what

became Sakura Bank was a Mr

Yasuo Matsushita, a former

finance ministry official, who

left the bank in 1994. Between

1987 and 1990, he presided over

t the height of this

speculative frenzy the

Sakura Bank, for instance,

ASIA-PACIFIC NEWS DIGEST

Nissan recalls over 1m cars

Nissan Motor is to recall more than 1m cars to fix potentially dangerous defects, in an embarrassing loss of face for Japan's number two automotive group. Nissan said yesterday it had begun a recall of 1.05m cars in Japan to fix defective seat belts and battery wires, with a further 70,000 affected in the US. The recall is the largest in Japan since the transport ministry began a compulsory system in 1929

recall is the largest in Japan since the transport ministry began a compulsory system in 1969.

The previous record was set by Toyota Motor in 1970, when it recalled 770,000 cars. Nissan's recall will cover 20 models in Japan, including the Cedric, Bluebral and Sunny, sold between October 1989 and March 1994, the ministry said.

A Nissan official said the ITS values affected where its property of the ITS values of the

A Nissan official said the US vehicles affected were its Infiniti model made in Japan between July 1992 and March 1994 and exported. The cost was estimated at more than Y6bn

HK acts on radio programmes

Hong Kong plans to scrap "unnecessary powers" to prohibi radio programmes as part of its review of broadcasting regulations, it said yesterday. The move, which follows a similar measure for television, was in line with a policy of securing freedom of expression. It comes amid increased focus on media freedom as Hong Kong prepares to return to Chinese sover-

Under the proposal, to be submitted to Hong Kong's legisla-ture later this month, an ordinance which empowers the Broadcasting Authority to bar radio broadcasts will be repealed. A provision allowing the territory's courts to prohibit certain programmes, on application by the chief secretary, will be retained. Such programmes are those that may incite hatred, result in a general breakdown of law and order, or damage public health or morals. John Ridding, Hong Kong

Australia casino bidding move

The Australian Senate yesterday launched an inquiry into the licence tendering process for the lucrative but controversial A\$1.3bn (US\$1.036bn) Melbourne casino. The inquiry follows allegations that Crown Casino, the winning bidder, had prior knowledge of other rival bids before submitting its own final offer. Among those who have maintained the tendering process was affected is ITT Sheraton, the US group, which lost

Crown, a Australian listed company, has denied any impro priety. The controversy has been fuelled by the fact that one of Crown's directors is a businessman with links with political figures. An internal treasury minute said to disclose informa-tion from the bids also suggested knowledge of the rival offers

Pakistani bus bomb kills six

A bomb yesterday ripped through a bus in the Pakistani industrial town of Sheikhupura, near Lahore, killing at least six people and wounding 40. The blast intensified fears over public safety in the Punjab, Pakistan's most populous prov-ince, where nearly 50 have been killed and almost 100 wounded in explosions in the past month.

Premier Benazir Bhutto has accused India of involvement; the accusations have been denied. But analysts believe the bombings follow Islamabad's failure to find a solution to political troubles in Karachi. A security clampdown in Karachi is thought to have forced those involved in the attacks to Farhan Bokhari, Lahore

Japan's banks urged to act on loans scandal

By Gerard Baker in Tokyo

Mr Ryutaro Hashimoto, the Japanese prime minister, yes-terday called on Japan's banks to shoulder a greater burden of the costs of liquidating the country's bankrupt housing

In the clearest sign yet that the government is planning a radical change to its plans to spend public money on the liq-uidation, Mr Hashimoto told a parliamentary committee hearing that the banks that founded the companies should

Mr Hashimoto said he hoped the banks that founded the companies would make decisions on the issue "on their own, taking account of the Diet (parliamentary) discussions".

In December the government announced its intention to contribute Y685bn (\$6.5bn) towards the cost of the liquidation of the companies, known as jusen. But public hostility and a concerted campaign by the parliamentary opposition have come close to forcing the cabinet to drop the plan.

The finance ministry is understood to be drafting an alternative that would cut sharply the proportion of the

Y6.300hn of total costs to be borne by the government in the liquidation and raise the burden on the founding banks. Last month, government and opposition parties agreed a temporary truce in their battle over the issue, pending passage of the 1996 budget. The budget bill is expected to become law today and attention will then focus once again on how to settle the jusen problem before the end of the parliamentary

Emiko Terazono adds: Despite improving profitability of Japanese banks' core operations, Moody's, the US credit rating agency, has offered a pessimistic outlook on the recovery of

the financial system. The agency said many leading Japanese banks held risky assets not yet publicly reported as problem loans and they would not be able to overcome asset quality problems before the end of the century.

Investors and industry ana lysts have applauded the aggressive write-offs, but the agency believes credit risks of some banks remain, due to uncertainty over the future course of core profitability, hidden profits on equity hold-ings and potential bad loans.

A cull of profits and presidents Ex-commercial bankers can resurface in some embarrass-

olemn rituals are under way in the boardrooms of Japan's leading banks. Like most rituals, the significance lies more in symbolism than in substance. And like all rituals, even that symbolism should probably not be taken too seriously by onlookers. One by one, the world's big-

gest banks are getting rid of their presidents. On Tuesday Mitsui Trust, the country's third largest trust bank, herame the latest to announce the early departure of its top executive, Mr Ken Fujii. The move brings to three the number of high-profile resignations, following similar moves in the last month at two other giants, Fuji Bank and Industrial Bank of Japan. The list is almost cer-

tain to grow.

The ostensible reason is a sudden desire on the part of banks' managements for a reshuffle of top personnel. Bank spokesmen claim these changes are long overdue. But the real, half-admitted explanation is the need banks feel to atone for their disastrous financial performance of the last few years. Loans made mostly during the years of the bubble economy", the period of rapid land price rises in the late 1980s, have turned sour in the collapse of asset prices in the last five years.

Later this month the banks will reveal some of the costs of those mistakes when they publish annual results for the year

t was almost obligatory to be an

African in South Africa yesterday.

The cause was the adoption of a

new constitution, achieved after two

years of negotiations which concluded

only hours before the final vote, as

the minority parties predictably

bowed to the immense political

weight of the African National Con-

Mr Thabo Mbeki, deputy president and heir apparent to Nelson Mandela,

set the tone during the final speeches

in the constitutional assembly. Eight

times he declared he was an African.

"I owe my being to the hills and the valleys, the mountains and the glades,

the rivers, the deserts, the trees, the

flowers, the seas and the ever-chang-

ing seasons that define the face of our

native land," he said. "I know that

none dare challenge me when I say -

"The constitution whose adoption

we celebrate constitutes an unequivo-

cal statement that we refuse to accept

that our Africanness shall be defined

by our race, colour, gender or histori-

I am an African.



Yasuo Matsushita, now BoJ governor, presided over his commercial bank's part in the bubble economy

to end-March. Between them the 21 leading banks are expected to report pre-tax losses of Y3,340bn (\$31.8bn) after bad loan write-offs of Y2,500bn. Most of the departing bosses might have survived even that

blow to their reputation, had it not been for political pressure. For some months loud demands have come from public and politicians for bankers to start paying the price of the bad loan fiasco. And quieter, more insistent, voices at the finance ministry have also been suggesting that such resignations might make sense. There is a careful calculation

in this. The government is try-ing to force on a hostile public and parliament a plan to spend Y685bn of taxpayers' money on liquidation of the housing loan companies. These companies were founded by the banks in the 1970s and are now virtually insolvent, with over two-thirds of their total lending of Y13,000bn officially acknowl-

edged to be non-performing.
Since banks are held largely responsible for the mess, the public wants them to pay more towards the liquidation. In an attempt to deflect this hostility away from their proposals, finance ministry officials and politicians are advising bankers to fall on their swords.

In February Mr Wataru Kubo, finance minister, told bankers they should accept "responsibility" for the losses.

a euphemism for resignation.

Though they may be walking the plank, the culprits are doing so in the knowledge that there is a comfortable life raft waiting for them at the end of it. All the departing presidents will go on immediately to another well remunerated job in the company - usually as either chairman or adviser.

By concentrating on the

present heads of banks as those to be held responsible for the banking failures of the last few years, the bureaucrats and banks themselves have nabbed only half the culprits. Those who were actually in charge of banks when the problems arose are understandably thought to carry an even greater responsibility than the current bosses. But extending the purge might yield some be anxious to push too hard.

The 'Mecca of constitutions' leaves markets without faith, writes Roger Matthews

Rands and sentiment in the new S Africa

a sign that he might withdraw from

the government of national unity. The

rand promptly dropped further

Mr Tony Leon's protestation that

he, too, was an African, by birth and by choice, was greeted by derisive

hoots from ANC members. The leader

of the small Democratic party had

fought more tenaciously than anyone

to ensure that the workers' right to

right to shut its doors to striking

employees, it was an issue he said he

would pursue through the constitu-

tional court. "This constitution gives

the unions the right to make or break

General Constand Viljoen, former

army commander and leader of the

rightwing Freedom Front, said that,

despite being an African, and seeing

many positive aspects in the constitu-

tion, his party would abstain because

there was too little protection for

It was probably inevitable that the

minority rights.

future governments," said Mr Leon.

strike was balanced by the employers'

against the dollar.

his bank's part in the rapid inflation of the "bubble econ-omy". In 1990 he moved on to the chairmanship, retaining an influential role. Mr Matsushita is now gover-

nor of the Bank of Japan, the

highest ranking monetary policymaking official in the country. There have so far been few calls for him to follow the example of his successors. Small wonder that at least one of the bank presidents forced out in the last month has been overheard muttering about the need for financial justice for all. He and others will watch to see where the frontiers of that justice lie.

Gerard Baker

NEWS: INTERNATIONAL

After that, everyone was an Afri-

can, even if they were not very happy

about the constitution they were

about to adopt. "I am also an Afri-

can." said Mr FW de Klerk, deputy

president and leader of the National

party, "and part of a modern, devel-

oped country that can compare with

But its new constitution was one

dominated by the will of the majority

party, and "rang the death knell of

multi-party participation in decision

Mr de Klerk said that while his

party would vote for the constitution,

because a No could irreparably dam-

age the interests of the nation, it did

so with serious reservations. In partic-

ular the National party was unhappy

about the provisions for property

rights, the failure to enshrine the

ers, and the absence of the death pen-

right of employers to lock out strik-

He added that the federal council of

his party would meet next week to

consider its position, a statement

making at executive level", he said.

the best in the world".

Israel blasts 'absurd' UN report on Qana

Israel yesterday blasted a United Nations report which questioned whether Israel's bombardment of a UN base in Lebanon last month, killing more than 100 civilians, was an

In Washington Mr Ehud Barak, Israeli foreign minister, who reportedly exchanged tense words with Mr Boutros Boutros Ghali, UN secretary general, said the UN concluions were "absurd". Mr Barak's comments came after a senior UN military offi-

cer who wrote the report on the April 19 shelling of the UN base at Qana said it was unlikely Israel bombed the hase through technical or procedural errors. Although the report stopped short of accusing Israel of deliberately shelling the UN post, it scorned Israel's explanation that it was the result of wrong labelling

In Jerusalem, Israeli officials said the UN investigation inciented by Israel to support their claim that the event was a mistake. Mr Uri Dromi, government spokesman, said the UN had refused to consider footage of Israeli reconnaissance which showed that it was impossible

had taken shelter at the UN base from Israel's intensive bombardment of Lebanese vil-

Mr Dromi suggested the UN was covering for pro-Iranian guerrillas in Lebanon who had fired Katyusha rockets from a position close to the UN base. "Unfortunately, the UN chose to ignore that, maybe because the UN has tough questions to answer about how come... those Hizbollah terrorists felt so at home in the compound of the UN," he said.

The US, Israel's closest ally. has backed the country's version of events and accused the UN of making "unjustified con-

But Israel's explanation of what Arab states have called "a massacre of innocents" has failed to convince the region's

On Tuesday Syria called for israeli leaders to be put on trial as war criminals for what it termed the deliberate shelling of a safe haven for civilians fleeing Israel's blitz.

Syria has also attacked the US for supporting Israel and trying to suppress the UN

Yesterday Damascus also accused the US and Israel of obstructing the work of a committee assigned to monitor the

final speeches should reflect the tense seized on by the currency markets as last-minute negotiations that lasted Memories of dictators cast

Fear of a bloody past holds key to electoral success, writes Michela Wrong

Nigerian clean-up offered by Shell by sections of the Ogoni move-ment, Mosop, which accused Shell of polluting the environ-

By David Lascelles in London and Paul Adams in Lagos

Shell Nigeria has offered to clean up all oil spills in Ogoniment projects in the troubled Ogoni territory as a first step toward an agreement with local leaders which would allow its staff to return safely

Shell, the largest foreign oil company in Nigeria, closed its land." operations in Ogoni three years ago after threats to its staff and sabotage of facilities

Mr Brian Anderson, Shell said vesterday: "These proposals are offered in the spirit of reconciliation. All we need to start the pro-cess is the assurance of all Ogoni communities that our staff can work safely in Ogoni-

This is Shell's most most public bid to end the deadlock

r David Mukasa knows what it means to live in fear. Under former dictators Idi Amin and Milton Obote, his wife was beheaded by marauding soldiers, his estates destroyed and he was repeatedly tortured. So when this elderly Bagandan, who now rears poultry on the shores of Lake Victoria. votes today in Uganda's first

elections for 16 years, he will be opting for President Yoweri Museveni and the promise of "no change". He has heard that Dr Paul Ssemogerere, the oppo-sition candidate, is planning to bring Mr Obote back. "The very idea sends shivers down From his exile in Zambia, the 75-year-old Mr Obote has

but appoint him "political commissar" in a new government. Directly at stake are the votes of 2.5m Baganda, more than a quarter of the electorate. They were worst hit by Mr Obote, who abolished the Buganda kingdom and later launched a terrifying crackdown on areas sheltering Mr Museveni's rebel army. Normally. Baganda support goes to the federalist DP. But Mr Ssehaunted this election campaign, a bogeyman used by the incumbent to convince voters mogerere's alliance with the UPC has split this crucial connot already persuaded by his stituency down the middle. 10-year record of political staanalysts say. bility and economic progress.

In what many Ugandans has been marred by this alliregard as a cheap tactic, the president's team has sought to ance," says Professor Apolo Nsibambi, a Baganda who bolster its arguments against teaches politics at Makerere multi-partyism and undermine University. "He is flirting with an alliance between Mr Ssemo-gerere's Democratic Party (DP) forces and making deals with people he cannot control." and the Uganda People's Con-The president can be accused gress (UPC) by suggesting it of many things. His controversial "no-party" political system

would not only bring Mr Obote, the UPC leader, back, - which allows candidates to campaign only as individuals – has crippled the opposition. His all-embracing "movement" system, meant to transcend the tribal factionalism he blames for Uganda's woes, hides the dominance of an elite from the west of the country. He has neglected the underdeveloped north and failed to tackle a rebel movement terrorising But for millions of Ugan-

dans, not just the Baganda, the Museveni decade has been a period of unprecedented stability, when for the first time could build, farm, trade

and plan the future. "In the old days children didn't bother going to school, no one did business. You were always looking over your shoulder to see who was com-

ing." says Mr Mukasa. The figures bear this out. A once devastated economy is now enjoying the highest growth rate in Africa, with gross domestic product expected to rise by 8 per cent this year after growing by 10 per cent in 1995. Regarded as a model reformer by the World Bank and International Mone-tary Fund, Mr Museveni has lured a yearly \$800m in aid to Uganda. Foreign investors are being drawn by a combination of low inflation, free exchange controls and a stable currency

An opposition victory could ieopardise these achievements. Analysts see the UPC-DP alliance swiftly disintegrating

into the early hours of vesterday. But as Mr Cyril Ramaphosa, the chairman of the constitutional assembly said, it was "an immense achievement".

The 137-page document, declared Mr Ramaphosa, was the Mecca of constitutions and people would travel far to see how democracy had been enshrined in South Africa. Sceptics put it differently: "It is a Rolls Royce of a document welded on to the body of a Morris Minor."

At the centre of the constitution is a bill of rights which covers a vast range of topics from the right of a child to a name, to the right of everyone to education, housing, food, water and security. It covers political rights, freedom of expression, privacy, religion, environment, human dignity and freedom of association.

Elsewhere the constitution defines the relationship between central government and the provinces, the powers of parliament, the president and national executive, the courts, public administration, security services and the role of traditional tribal leaders. To have achieved a consensus,

Uganda

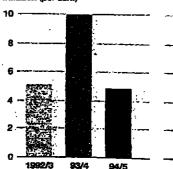
range of issues was described by President Mandela as "our own humble contribution to democracy and the culture of human rights world wide: it is our pledge to humanity that nothing will steer us from this cause". But giving economic substance to

albeit sometimes qualified, on such a

the fundamental rights to which the country yesterday became committed will be an altogether bigger challenge. Mr Ramaphosa, who will soon leave parliament to concentrate on a business career, said the new constitution was also good for investors and good for the rand

Mr Trevor Manuel, the new finance minister, seemed to agree, judging by the enthusiasm with which he joined in the signing, dancing and rhythmic hand-clapping that greeted the final vote. However, by the time he returned to his office, the markets appeared to have been more influenced by words of Mr de Klerk than by the promises of the new constitution - yet another hard lesson for the optimistic citizens of Africa. Editorial Comment, Page 15

shadow over Uganda poll



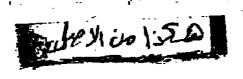


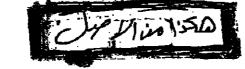
question mark hangs over whether the army's western leadership would accept the results. A new era of uncertainty in Uganda, the linchpin in a region shaken by violence in Rwanda, Burundi and Zaire, would threaten the whole of East Africa. Foreign investment has already gone on hold during the election months. Few believe this scenario will unfold. Although the pro-

test vote has been growing and the 85 per cent walkover predicted by the presidential team looks unlikely, most observers expect a 60 per cent Museveni amid wrangling over posts and win. Parliamentary polls due issues. Most alarmingly, a in June are expected to give

the opposition a stronger role in the running of the country and the democratic process now looks unstoppable with true multi-partyism inevitable. Should Mr Museveni, who insists his "movement" system has another 15 years of life, apply the brake, he will find

foreign funds drying up. "Museveni will eventually have to make a decision on multi-partyism or donor sup-port will gradually erode." says Mr Michael Southwick, US ambassador. "With that will go confidence and you don't get investment without confi dence. They have to get on





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Shell protests at Manila gas plan

By Edward Luce in Manila

Shell Philippines Exploration, joint controller of the Philippines' largest natural gas field, yesterday protested to the Manila government over plans to allow power producers to import liquefied natural

The Anglo-Dutch company, which is in partnership with Occidental Philippines (Oxy) of the US to exploit the 12,000hn cubic metres Malampaya gas field off the Philippine coast. said Manila's decision undermined the country's drive towards self-reliance in energy.

The joint venture, which has agreed to supply LNG for 3,000MW of power a year over 20 years to the Philippine power sector, said the government had given power produc-ers the green light to import LNG for 1.500MW a year.

"Importing LNG is not only inconsistent with the government's vision but will increase the Philippines' own dependence on fuel importers," said Mr Dre Boon, vice-president of Shell Exploration (world wide). yesterday. "This will deprive the government of substantial revenues which would be gen-erated from its share of indigenous gas reserves."

First Gas Holdings, a joint venture between British Gas and a local group which received permission to supply its 900MW plant in the Philippines with LNG imports, said protracted negotiations between the Shell-Oxy group and the government had pushed the Malampaya project back 12 months.

The Philippine government, which is weening the local power sector off imported oil and coal on to indigenous power sources such as gas and geothermal energy, has said demand for gas will reach 4,800MW a year by 2002 - well in excess of Malampaya's

This is disputed by Shell and

Vietnam puts telecom deals on hold

Four telecommunications contracts, amounting to about \$1.4bn, have fallen foul of Vietnam's revenue forecasts and hesitancy among policy-makers over allowing foreigners into the sector.

The delay in the contracts, which were expected to be awarded last month, have led to extreme frustration at the four companies involved. "It's very disconcerting having to manage your expectations beyond these new dates," said Telstra of Australia, Cable

By Virginia Marsh, recently in Bucharest

New customs regulations to

clamp down on smuggling are

forcing Romanians, among

Europe's heaviest smokers, to

buy western cigarettes in the middle of the night.

In the last week, Marlboro and Kent, among the western brands with up to 30 per cent of the local market, have all

but disappeared from the

shops, during daytime at least.

This follows the arrests of

several alleged ringleaders

behind a huge cigarette, alco-

hol and coffee smuggling

industry which the govern-

ment says costs it billions of lei

in lost revenues each year. Since May 1, the government has also required all cigarette

packets to bear a stamp show-

ing customs have been paid

and is imposing fines of

between 10m lei and 30m lei

(\$3,300-\$9,900) on vendors who

Tobacco is big business in

Romania where an estimated

6m out of an adult population

Local brands are still pro-

duced by the state monopoly

but have steadily lost market

do not comply.

of 18m smoke.

Smokers on the

midnight prowl

in Bucharest

International of Japan and France Télécom have spent the last year negotiating with Vietnam Posts and Telecommunications (VNPT), the state telecoms monopoly, for contracts to install and operate land lines in Hanoi and Ho Chi Minh City. Mr Nguyen Ngo Hong, director of VNPT's information centre, said it was unlikely any contracts would be awarded soon.

The work is part of ambitious plans by Hanoi to provide five phone lines per 100 people by 2000, compared with one line per 100 people now. It

One of the people police have

arrested recently is accused of

smuggling 5.7bn cigarettes, about a fifth of the annual

market of some 30bn ciga-

Industry analysts say import

duties of up to 300 per cent are

so high they encourage tax

evasion and that the government would raise more reve-

nues if it lowered its

However, the biggest com-

plaint yesterday was from shopkeepers and smokers who

said an apparent shortage of

pink for local brands, green for

imports - had kept western

a packet of Marlboro", a 22-

year-old student said. "I finally

found some at lam; the man in

the shop said he only sold

untaxed cigarettes at night

time, when there were fewer

policemen around, and that

he had been unable to get

hold of cigarettes with

led to sharp rises in cigarette

prices which were previously

among the lowest in Europe.

The measures have already

It took me two days to find

the new customs stamps

cigarettes off the market.

charges.

stamps.

would be the first significant investment by foreigners in Vietnamese telecoms.

The contracts under discussion involved C&W and NTT International sharing installation of about 400,000 lines in the capital, with Telstra and France Télécom splitting the job of installing 800,000 lines in Ho Chi Minh City. The four would then operate

the networks in conjunction with VNPT, sharing call revenue roughly equally over about

But the negotiations have been dogged by doubts among some Vietnamese policy-mak-

foreigners into a sector seen as important to national security. One direct result of this is that Hanoi does not allow foreign operators to sign equity joint ventures, insisting instead on a looser "business co-operation

contract". The companies say this formula is more risky to finance and have sought guarantees to compensate for any disruption to internal rates of return if revenue forecasts do not match

In particular, the foreign investors are thought to have rejected a business plan put includes a revenue forecast based on current revenue per scale taking into account an increasing number of lines.

In addition, VNPT is understood to be keen to settle on a uniform rate of return for all four investors, despite the fact that the level of investment planned by each is different.
Officials at two of the four

companies said some agree ment was possible by the end of May but the issue could drag on beyond the Communist party congress, scheduled for

China urged to outline stance on WTO entry

By Tony Walker in Beijing

Sir Leon Brittan, the European trade commissioner, yesterday urged China to be more forthcoming in talks on its entry to the World Trade Organisation. Sir Leon, who ended a fourday visit to China yesterday, called on Beijing to outline candidly where it stood on such issues as market access. tariff cuts and quota removal. "They need to go further and put it on the table, then let's see how we get on," he said. Sir Leon pressed this point with Premier Li Peng in a meeting during which he argued it was in China's inter-

ests to "show flexibility". Sir Leon had also made it clear that if China could satisfy European terms for entry, it was most unlikely to face a veto from the US. "They are seriously worried about a general political veto by the US (but) I said put us to the test."
EU officials are anxious to prevent talks stalling com-

pletely. They fear this would make it difficult to restore momentum in early 1997 after the US presidential election. Beijing and its negotiating partners have virtually ruled out concluding WTO negotiations this year because the US

administration in an election

Li Peng: pressed for flexibility

year could not be expected to make the compromises necessary to secure China's entry. But Sir Leon appeared to hold out an olive branch to China on terms for WTO entry. He said there was "very wide discretion for the WTO to allow transitional periods, which can be substantial."

China says as a developing country it should be given special consideration, including lengthy transitional arrange-ments. It has accused the US repeatedly of blocking its WTO

Sir Leon also pressed China on the need to pursue vigorously accords to stamp out

information and entertainment products, but the European approach was "more sub-tle" than that of the US, which has threatened sanctions.

The EU and China signed a protocol on Tuesday to strengthen co-operation in defence of intellectual property rights.

 Premier Li Peng said Beijing was considering buying more Airbus aircraft following China's order for 33 Airbus jets last month, Sir Leon Brit-

tan told reporters.
"He told me there may be more purchases to come." said Sir Leon, who added that Mr Li had not said the additional orders would be at the expense

• The American Chamber of Commerce in Hong Kong yesterday said it would fight for unconditional extension by the US of China's Most Favoured Nation (MFN) trading status, Reuter adds from Hong Kong.

"America's relationship with China has become too important in strategic and economic terms to be threatened each year by a law written 20 years ago (during) the Cold War," the chamber said. Hong Kong governor Chris

Patten has been lobbying Washington to renew MFN.

WORLD TRADE NEWS DIGEST

Banana trade under scrutiny

The World Trade Organisation yesterday established an independent dispute panel to rule on the European Union's banana import regime. The five complainants – the US, Ecuador, Guatemala, Honduras and Mexico – say the EU quota scheme unfairly discriminates against Latin American banana producers in favour of former colonies and overseas territories in Africa, the Caribbean and the Pacific.

Two panels set up under the WTO's predecessor body, Gatt, found against the EU on bananas but their rulings were ignored by Brussels. Under stronger WTO procedures this will not be possible. However, the EU last year won a waiver from the WTO for its preferential trading arrangements with ACP countries. A number of ACP countries asked yesterday to join the panel, arguing that guaranteed access to the European banana market was essential for their economic survival.

Yesterday Brussels also rejected a US call for a panel on the EU's ban on hormone-treated beef. The EU must accept a panel at the second request, expected when the dispute settlement body meets on May 20. Frances Williams, General Control of the Control of t

WTO shipping talks slow

Negotiations on international shipping in the World Trade Organisation are making little headway prior to the end-June deadline for an agreement. By yesterday, only 12 of the 42 participants, the EU counting as one, had put liberalisation offers on the table and they do not include the US.

The EU told yesterday's meeting of the maritime services negotiating group that it would continue to strive for a

non-discriminatory WTO accord which would guarantee existing high levels of access to world shipping markets. to the talks, and this belief has been strengthened by the US refusal to endorse a WTO telecoms accord at the end of last month. US officials say other countries have not been

However, many countries doubt Washington's commitment sufficiently forthcoming to make a US maritime offer

GM plans Australia expansion

General Motors-Holden Automotive, the Australian subsidiary of General Motors in the US, is to invest a further A\$1.4bn (US\$1.1bn) in its Adelaide-based manufacturing facilities during the next five years, as it invests to produce a second car at the plant

GMHA said yesterday that it planned to manufacture the Vectra model alongside the existing Holden Commodore, for sale both domestically and in southeast Asian markets. The second car production line is expected to create about 700 Nikki Tait, Sudney

■ KHD Great Britain, the UK subsidiary of Klöckner Humboldt Deutz of Germany, has initialled the first private power project in Sri Lanka. KHD, as the lead sponsor, will erect a 51MW diesel power station expected to come into operation in 1997. The cost will be funded by debt and

■ Northern Telecom, Canada's biggest telecommunications equipment maker, will supply a complete digital cellular communications network for Chongqing, Sichuan province, China. The first phase will service 20,000 subscribers. The company did not reveal the value of the contract with China United Telcommunications. Robert Gibbens, Montre

CONTRACTS & TENDERS

REPUBLIC OF COTE D'IVOIRE PRIME MINISTER'S OFFICE MINISTRY OF AGRICULTURE PRIVATISATION COMMITTEE **PRIVATISATION OF**

INTERNATIONAL **CALL FOR TENDER**

OIL PALM PLANTATIONS OF PALMINDUSTRIE

The Government of Côte d'Ivoire, as part of its privatisation policy, announces the launch of an International Call for Tender for the privatisation of 5 groups of oil palm plantations ("E.A.I") extending over a total of 55,956 ha and including 14 oil mills. Each EAI will be sold separately through the same tender.

The EAI have the following characteristics:

EAI of South-West: 11,331 ha of plantations and 3 oil mills EAI of Center-West: 12,618 ha of plantations and 2 oil mills

EAI of Center: 9,630 ha of plantation and 2 oil mills EAI of Center-East: 7,669 ha of plantation and 3 oil mills EAI of South-East: 14,861 ha of plantations and 4 oil mills

Each EAI is privatised together with the necessary equipment and facilities for its

Prospective investors are invited to withdraw information memoranda concerning the five EAI and a general information memorandum from Thursday May 2nd, 1996 at the following address:

COMMITTEE OF PRIVATISATION

6, Boulevard de l'Indénié 01 BP 1141 ABIDJAN - PLATEAU Tél: (225) 22 22 31/22 22 32 Fax: (225) 22 22 35

The memoranda will be purchased for the respective amount of F.CFA 250.000 for the general memorandum and F.CFA 150.000 for each EAI information memorandum (IFF = 100 F.CFA).

The deadline for submission of bids is Monday, July 8th, 1996 before 18.00 GMT at the address hereabove.

PolyGram is biggest music group Jacky Cheung in Hong Kong global share of 15 per cent

A strong position in the fast growing Asian music market has given PolyGram a clear lead over rival record companies to become the world's largest music group, according to new research.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, commanded 17 per cent of the main international markets last year, research released today by Music & Copyright, a Financial Times newsletter, shows. This compares with 15.5 per cent for Sony Music, part of the Japanese electronics and entertainment group.

Global Market Share of Music Groups Parent

Asia has become increasingly important to the \$40bn music industry in the 1990s as the level of growth in the region has outstripped that in North America and western

In Asia, consumers tend to

and Harlem Yu in Taiwan. proving multinational music groups need strong operations in the region. PolyGram has benefited from its businesses in Taiwan and South Korea. with 17 per cent and 9.9 per cent of sales respectively. In

has been strengthened by its market-leading Japanese operation, with a 17.6 per cent share. As a result, Sony has ousted Warner Music, the Time Warner subsidiary, from sec-

14.1 per cent, buoyed by support in the UK, Germany and Japan. The fifth biggest group is BMG, a subsidiary of Bertelsmann, the German media group, with 11.1 per Japan, it commands a 13 per cent share. Sony's international position

rise faster in Asia than in North America and western Europe is set to continue. The US is still the world's largest source of music sales, but its global share has shrunk from 50 per cent 10 years ago, to 30 ond place internationally. per cent now, and could fall to Warner, still number one in 20 per cent by the year 2000. prefer local stars, such as the \$12.1bn US market, has a See Lex, Page 16

EMI Music, part of Thorn EMI of the UK, is fourth with

'Ms Stonewall' lines up for US

Nancy Dunne on the tough negotiator waiting to talk for America

he US Trade Representative's spa-cious office has been empty since Mr Mickey Kantor moved to the Commerce Department last month. Ms Charlene Barshefsky, deputy and

next in the line of succession, remains in her own smaller office while the billing records of her 18 years at a prominent Washington law firm are inspected.

A provision inserted in a lobby reform law last year by Republic Senator Robert Dole bars anyone who has represented a foreign government in a trade dispute from holding the job. Ms Barshefsky apparently once advised the Canadian embassy in a softwood lumber case, but whether this will disqualify her has yet to be determined.

"I don't expect to have a problem," she said in an interview. In the meantime, Ms Barshefsky has added Mr Kantor's responsibilities to her

own, taking on, among others, the high-risk negotiations with China. Ms Barshefsky, who would be the first career trade lawyer to hold the job of Trade Representative, is not a woman plagued by self-doubt. She relishes matching wits with the most wily of opponents and seems to enjoy creating order and

policy from the thicket of competing domestic and international interests. Mr Jeff Garten, former Commerce Department undersecretary of trade who worked with Ms Barshefsky for two years, describes her as "an extremely good negotiator, a good listener who understands all the technical, political, domestic and for-

eign policy ramifications in a negotiation." Mr Jack Valenti, president of the Motion Picture Association of America, who went to China with her recently, attests to a persistence in her style. "There is an integrity of purpose about her. Mickey Kantor is more of a political animal, but in the implacability of their objectives and the relentless way they pursue them, I think they are cut from the same DNA."

Indeed, she was unyielding last week when refusing to sign up to a global tele-

communications pact negotiated under the World Trade Organisation in Geneva, saying there was not enough in it for the US.



Charlene Barshefsky: in the thick of it

As one former US trade official explained it, the US is trying to build a durable multilateral system, not "a series of half-baked reforms which sow the seeds for discrimination in the system".

Ms Barshefsky's response to the subsequent blast of criticism coming from other countries' negotiators, in particular the EU, was to demand that the EU immediately come forward with an improved pro-posal of its own.

Ms Barshefsky makes no apologies in acknowledging that US support for the Most Favoured Nation principle, a basic tenet of the world trade system that trade partners should be treated equally, must be tempered by domestic political reality. "What you see is a country that in policy terms has made the decision that trade agreements must be reciprocal in character," she said.

"That doesn't necessarily mean mathematical equity but it does mean rough justice. And to the extent that MFN is to be retained - and I think it should be retained - then it is important that countries appreciate that the US expects to get value for what it gives.

"Ten or 20 years ago countries might have expected the US to give more than it got, but that is not the case any more." Elections in the US this year have put a constraint on any US trade negotiations, particularly since trade has become deeply enmeshed in domestic party politics. "The opposition is laying in wait, hoping that the administration is being soft or inconsistent or giving something away," said one official. "It would be perfectly under-standable for Charlene to tread carefully." She is very conscious of antipathy to trade deals among US voters, but she believes in the importance of the global

trading system to the future of US prosper-"We're a mature economy [and] our industries are the most productive in the world. [Without trade] where is that output going to go? ... But the public doesn't make those connections. That's the danger

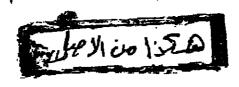
we have to be concerned about." Ms Barshefsky's pragmatism is much in line with Mr Kantor's. He, however, has been roundly criticised for his insistence on tying labour rights to trade negotiations in the WTO, and this is blamed for his failure to win new negotiating authority for future trade deals.

"To the extent that the WTO refuses to look at the intersection of trade policy and core labour standards, you will see a cynicism develop among the public that these international institutions have aims antithetical to other important public poli-

cies," said Ms Barshefsky, Ms Barshefsky's nomination presents a dilemma for Mr Dole, the presumptive Republican presidential candidate, who has been criticising President Bill Clinton for being much as for the Mr Dole's for being weak on trade. It is Mr Dole's provision in the lobby law that could pre-

vent appointment of trade representatives who do not require on the job training.

And it is the same provision which could prevent the appointment of a negotiator so respected for her defence of US interests that she was nicknamed "Stonewall" by her colleagues.



SIEMENS

NIXDORF

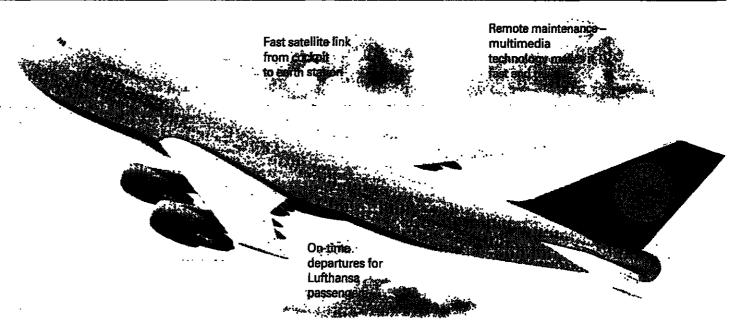


Zurich: Multimedia puts a song in the music business.

Switzerland's Musik Hug AG has launched subsidiaries Musica Nova AG and Musica a multimedia information concept it calls "Giga Music Browser." Musik Hug AG contracted with Siemens Nixdorf to provide complete management of the project: from initial consulting all the way through to support and final implementation, including a LAN network.

Planning calls for networked multimedia stations to be used in Hug AG's retail outlets throughout Switzerland.

Founded in 1807, Hug AG, along with its Viva AG, is Switzerland's largest specialty retailer for musical instruments, sheet music, compact discs and accessories, generating annual sales of over Sfr 78 million. All of the objectives behind the idea for the information kiosk system - customer care, promotions, publicity and an innovative image - were able to be achieved with the implementation of this multimedia concept. The system is operated from a 17-inch touch-screen monitor. Designed with Hug AG's image in mind, the individual user interfaces reflect a combination of heritage and vision. All of the functions are highly intuitive and do not require any computer literacy on the part of the user.



Newbridge, Siemens and Siemens Nixdorf – German-Canadian alliance for multimedia networks.

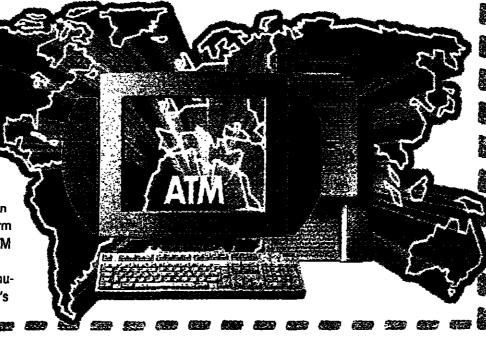
To keep up with the breathtaking pace of development in new communication options, there'll be no getting around ATM technology in the future. ATM stands for Asynchronous Transfer Mode. It's a high-speed wideband communication solution that's destined to serve as the platform for the infor-

the future. What's so revolutionary about ATM is that it allows both realtime applications, like voice and video conferencing, as well as data transfer to be handled over the same

the industry have joined forces to form a long-term alliance in the field of ATM technology: Canada's Newbridge Networks Corp. and the Public Communication Networks Group at Germany's

Siemens AG, which will bring Siemens Nixdorf IT expertise to the alliance. Under this partnership, the world's most comprehensive product portfolio for wideband communication networks - ranging from access technology and switching systems all the way to

nering agreement by being able to single-source consistent, all-encomnetworks from Siemens together with Newbridge and multimedia end-user



Frankfurt: Lufthansa German Airlines takes off with multimedia remote diagnostics.

A multimedia maintenance system is changing the face of aircraft maintenance at Lufthansa German Airlines: BISAM - as the project is called - stands for Broadband Integrated Services for Aircraft Maintenance.

Together with Lufthansa, the multimedia BISAM application is being tested by Sietec Systemtechnik and Lufthansa Systems under a contract from Deutsche Telekom's DeTeBerkom subsidiary in Berlin. This project is presently undergoing national field trials with 18 systems in various Lufthansa locations - initially shadowing conventional maintenance and repair operations. And international links to the United States and Japan are already on the drawing board. Sietec was responsible for the elements of systems integration and project customizing. BISAM enables downtimes and maintenance costs to be reduced. Which assures on-time takeoffs and landings, as well as a competitive advantage for Lufthansa that underscores its capabilities. Because even though aircraft are maintained to high standards of engineering, too little technological support is being provided for conventional maintenance procedures. With BISAM, squawks can be reported while still airborne - either via automated monitoring systems or by the crew. Automatically encoded, they are transmitted to the BISAM

database by satellite. This allows the maintenance technicians at the destination airport to prepare for the job effectively, even before the aircraft lands, to obtain the required parts, and to request assistance from any specialists who may be needed. To make the job even easier, BISAM also supplies the correct repair strategy along with each squawk. Plus the latest data, since each operation is stored and analyzed.

BISAM can even eliminate the need for onsite specialists: with the video conferencing module in BISAM, worldwide communications and conferences are possible from any work place. Multimedia remote diagnostics thus enable numerous squawks to be assessed and resolved in less time and at lower cost. Lufthansa's workstations also allow high-definition images of even hairline cracks or minute corrosion to be sent directly to the expert's screen via Deutsche Telekom's high-speed ATM networks. A method that will considerably simplify aircraft maintenance in the future.

THURSDAY MAP

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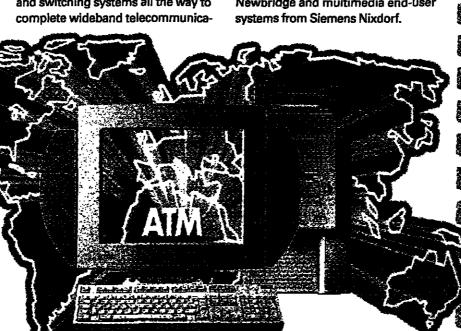
EWS DIGEST

isic group

mation highways of

network with the same switching technology. Two of the leading network vendors in

tion networks - is now taking shape. Customers will benefit from this partpassing solutions: corporate and public



SIEMENS NIXDORF

Upper Austria: The future belongs to the bank with more information capital.

A multimedia pilot project is ringing in a new information age in Austria. Since the summer of 1995, the Raiffeisen Bank branch office in the town of Ort has been equipped with the prototype of an information service terminal that is turning this bank into the town's communications hub. An objective that will soon be reality in all of Austria's Raiffeisen financial institutions.

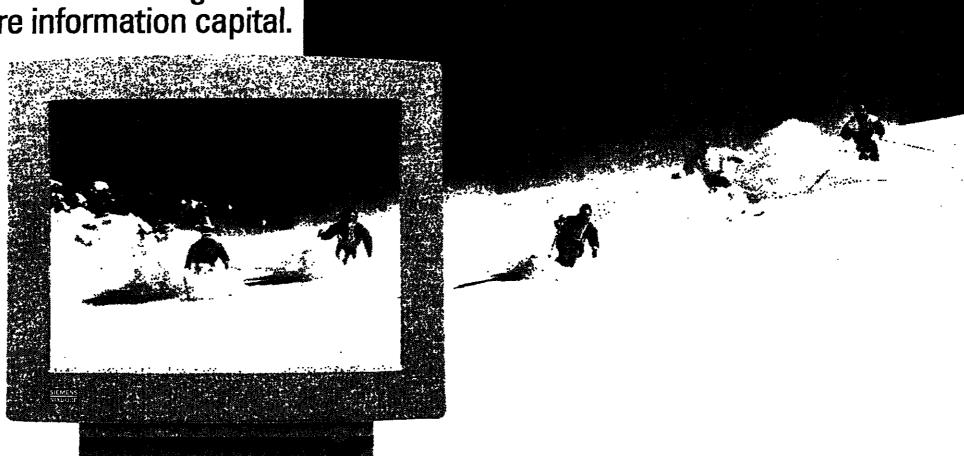
The electronic kiosk was developed jointly by Siemens Nixdorf Austria and systems house Programm- und Systementwicklung (PSE), a unit of Siemens Austria.

Thanks to its cutting-edge technology, operating the system is child's play. Touch one of the information points that are displayed on the screen and the wizardry of the "point of action terminal" serves up everything worth knowing: the local calendar of events, information about the town's groups and organizations, as well as current club happenings.

Or questions about local continuing education offerings, a look at current trainee vacancies or the labor service's job exchange. And, of course, the Ort Raiffeisen Bank provides audio and video information about its staff and its complete portfolio of products and services. If desired, the user can easily print out the information that has been presented on the screen. The service is offered free of charge and is available to every visitor to the bank, whether a customer or not.

In its concept and technology, the electronic kiosk is equipped for every need: CD-ROM drive, sound card, stereo speakers, 17-inch touchscreen and laser printer. And a microphone, camera or magnetic stripe card reader can also be attached.

Implemented by Siemens Nixdorf and Siemens AG, these information kiosks are paving the way for Austria's Raiffeisen banks to enter a multimedia future where the focus is on people.

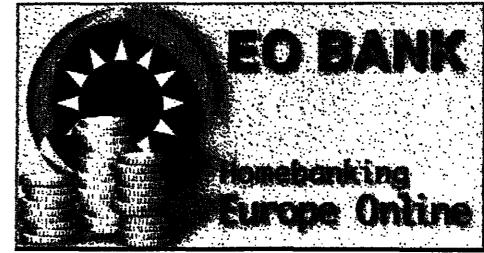


Luxembourg: Gateway from Siemens Nixdorf opens Europe Online for the home banking world.

New and dependable channels are opening Europe Online for the world of home banking - with a gateway that comes from Siemens Nixdorf. Customers will soon be able to choose which network and which bank they would like to use for their home banking needs. Because all of the home banking solutions that formerly were restricted to the T-Online service can now be used via Europe Online, But there's much more to the story than that: with Europe Online, banks can design their home banking solutions to their own CI standards and incorporate the look and feel of WWW multimedia applications. And the interactive structure of the special Windows user interface makes the system especially easy to use.

The focal point of this new concept is the gateway from Siemens Nixdorf, which links the Europe Online system with the bank's

external server: an RM600 running OnServe software from Siemens Nixdorf. With the gateway from Siemens Nixdorf, this Luxembourg service provider now opens the gates to a multimedia future for home banking.



Barcelona: Classrooms go multimedia.

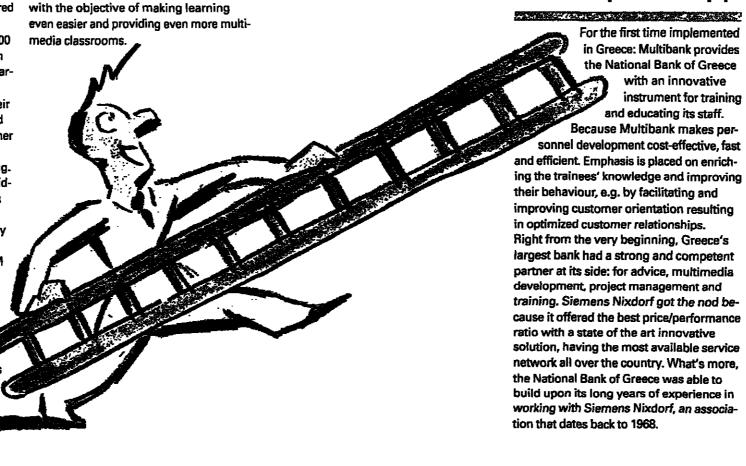
With its PIE (Programa de Informática Educativa) initiative, the Catalan government's Ministry of Education has now entered the multimedia learning age. Today, pupils at public schools can use 600

Siemens Nixdorf multimedia PCs to learn a variety of European languages and to participate in all kinds of multimedia-based special courses. And they can learn at their own pace, without the constraints of rigid course hours. It makes no difference whether the users are beginners or already know the fundamentals of what they're studying. Because they can fashion their own individual curricula, or they can call upon tutors for advice.

Siemens Nixdorf provided the necessary infrastructure for multimedia learning: with SCENIC multimedia PCs and CD-ROM self-study programs.

And Siemens Nixdorf was also responsible for complete integration of the systems. LAN technology was used to integrate the Windows NT™ servers and UNIX® systems into a consistent network. As an added benefit, the system's Internet link allows the pupils to tap into information from around globe in a matter of seconds.

Because of the resounding success of the PIE project, the Ministry of Education intends to extend the multimedia network



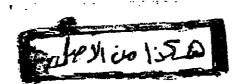
Athens: National Bank of Greece offers its staff multimedia career path support.

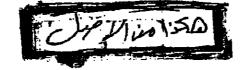
the National Bank of Greece with an innovative instrument for training and educating its staff. Because Multibank makes personnel development cost-effective, fast and efficient. Emphasis is placed on enriching the trainees' knowledge and improving their behaviour, e.g. by facilitating and improving customer orientation resulting in optimized customer relationships. Right from the very beginning, Greece's largest bank had a strong and competent partner at its side: for advice, multimedia development, project management and training. Siemens Nixdorf got the nod because it offered the best price/performance ratio with a state of the art innovative solution, having the most available service network all over the country. What's more, the National Bank of Greece was able to build upon its long years of experience in working with Siemens Nixdorf, an association that dates back to 1968.

For the first time implemented

in Greece: Multibank provides

Multibank offers a broad range of training and educational offerings for the bank's more than 15,000 employees: fundamentals of marketing, market research, new banking products, marketing strategies, selling and customer interaction techniques, fundamentals of accounting and much more. Based on multimedia PCs, peripherals and network, all from Siemens Nixdorf - Multibank helps the staff at the National Bank of Greece travel faster along their career paths.





Frankfurt: Starting shot fired for multimedia electronic banking at Deutsche Bank.

With the development of the next generation of db-dialog, Deutsche Bank is opening up new opportunities for its customers: a user-friendly electronic banking program is assuring that all of the customer's typical banking needs can be handled easily and around the clock from a personal computer. The MS Windows application has a new and attractively styled user interface.

Deutsche Bank and Siemens Nixdorf joined forces to develop the multimedia electronic banking idea into a viable product. Deutsche Bank customers will soon be able to benefit from it. With db-dialog, Deutsche Bank now has a high quality software product that saves customers time and money, while assuring competitive advantages for Deutsche Bank. Siemens Nixdorf is playing a major role in making Deutsche Bank's electronic banking offerings more comprehensive and attractive.

To make a virtual visit to a Deutsche Bank branch office, all the customer needs – in addition to a personal computer – is a modem and a T-Online ID. If the PC is additionally equipped with a sound card, electronic banking becomes a true experience. The basic functions, like electronic funds transfers or balance and transaction inquiries, are implemented on a multibank basis, i.e. they can be used for virtually all banks with online capabilities. A special service that Deutsche Bank provides to its customers allows them to display their securities custody accounts complete with current price information. In addition, it is also possible to query the prices of leading equities that are traded in Germany, the United States and Japan. And, as an extra service, this attractive multimedia application also enables customers to place direct orders, i.e. to buy or sell securities.

Siemens Nixdorf is helping to build the European multimedia house.

MATES, a project being sponsored by the European Community, is a major factor in designing and employing multimedia technology in the engineering sector.

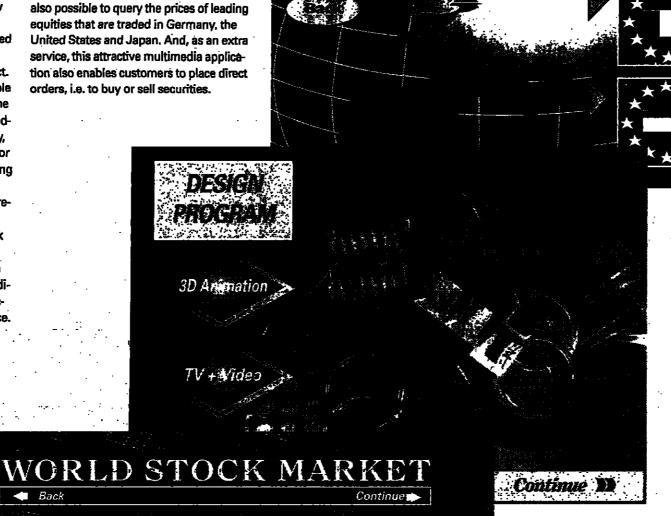
The objective of MATES—Multimedia Assisted

The objective of MATES—Multimedia Assisted distributed TeleEngineering Services—is to create a distributed work environment conducive to the efficient implementation of development and knowledge-intensive projects, in particular, regardless of where the participants are located. A further aim is to establish telecooperation centers throughout Europe incorporating new communication channels like the Internet for providing consulting services and allowing know-how to be transferred.

Involved in the project are partners from France, the Netherlands, Spain, Sweden and Germany; the partners are handling tasks that are related to their specific interests: user organizations, application and technology vendors, systems integrators and service providers.

As a technology vendor, Siemens Nixdorf is participating with its Cadlab research laboratory. At the same time, Cadlab is also responsible for project coordination.

Siemens Nixdorf subsidiary Sietec, whose activities focus on project business, has assumed responsibility for systems integration. The long-term focus of utilizing the findings from this project to help develop a more effective labor market is turning MATES into one of Europe's leading projects. All the more so since a study by the Gartner Group forecasts that over 80 % of all organizations will be employing half of their workforce on a telework basis by the beginning of the next millennium. This is a development that hinges upon the availability of leading-edge information systems like those for document and video conferencing.



MAIN MENU

Europe

USA

Asia

Munich: The creative connection between the computer and Bavaria Film.

When two specialists join forces to combine their know-how in a project, there can be little doubt about the outcome: with M-BRAIN, Bavaria Interactiv, a subsidiary of Bavaria Film GmbH, and Siemens Nixdorf have launched a multimedia project that is getting things moving in the field of commercial sales promotion.

As Germany's most important TV and film studio, with headquarters in Munich and branches in Berlin, Hamburg, Cologne and Dresden, as well as operations in Hollywood, Paris, Rome and London, Bavaria Film GmbH produces some 20,000 minutes of TV programming each year. Responding to the

growing interest in television, Bavaria broadened the focus of its activities: from traditional film-making to services for television companies and advertising agencies. Co-productions with private-sector television companies, design and graphics studios and advertising agencies involve a need for exchanging multimedia information among each other, and then supplementing this information and passing it on – quickly and

The M-BRAIN project offers the concept and solutions for these activities, as well as solutions for interactive television at the point of sale. A ten-step program accompanies commercial customers as they travel the road from silent sales clerks to multimedia sales terminals: the program ranges from development of the communication strategy on the basis of a customer-specific

without any loss of quality.

market analysis and creation of the idea and the storyboard concept all the way to custom-tailored program development and a user-friendly navigation approach created with the aid of a special development principle.

The program also includes the screen design process - with sophisticated 3D animation if desired - that is matched to the customer's specific corporate identity needs, as well as the actual film production activities, with the customer being able to draw upon all of Bavaria Film's studio resources. Plus integration and meaningful interlinking of all of the media employed, as well as complete networking. Bavaria provides the customer with the needed infrastructure, i.e. personal computers, media servers, networks and operating systems. These components come from Siemens Nixdorf. A team of specialists from Siemens Nixdorf and Bavaria Film is right there with sound advice and hands-on assistance throughout the entire creation phase and beyond.

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SIEMENS **NIXDORF**

Brussels: If the customer won't go to the bank, the bank goes to the customer.

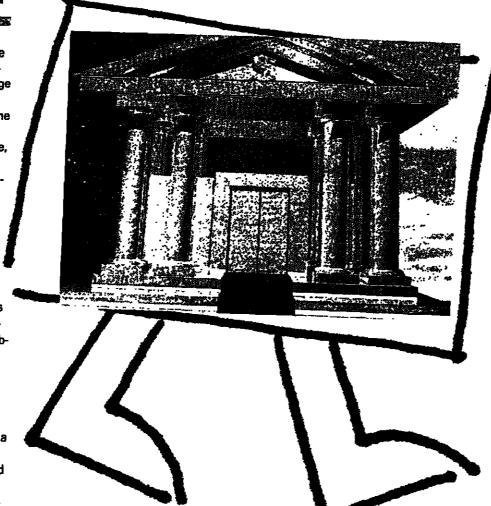
Three Belgian banks, Belgolaise, Crédit à l'Industrie and Crédit Agricole, are a nose ahead in the race to provide better customer care. The reason: DIVINA - Data Image Voice Interactive Applications - an allencompassing solution for speeding up the development of interactive services that are directly available from any telephone, 24 hours a day.

Bank customers who utilize this new telephone banking service can now use the telephone to quickly and easily handle everything that used to require a trip to the bank's branch office: to query their account balances, get overviews of recent account transactions or transfer funds.

Or to obtain information about the bank's current product offerings or make changes to their personal data. DIVINA was implemented by Siemens Nixdorf's Belgian subsidiary IN2. Modularly structured, it can be fully tailored to the needs of the individual financial institution.

The idea behind DIVINA is as simple as it is effective: telephones are everywhere. Regardless of the time of day or location, a phone can be used - like a computer - to transmit signals that are then transformed into data. The engineering platform consists of an interactive voice server, a computer system equipped with voice communication cards that is able to transform digital data into verbal information or vice versa. Connected to the telephone system, this server can also be linked with other DP systems in the institution for data inter-

Since the implementation of the DIVINA concept, customers at Bank Belgolaise can handle their banking needs in three different languages - simply by using a telephone.



From initial consulting services all the way through to installation and support, the Siemens Nixdorf subsidiary is responsible for the entire service. As well as for the matching hardware: a PC running under UNIX is installed as the voice. Which makes light work of banking business for Bank Belgolaise's customers. And not just in Belgium, but also in Africa and any country, where Bank Belgolaise also does

business. The bank "Crédit à l'Industrie" was one of the first to introduce its new customerfocused communication concept: it launched its DIVINA-based telebanking project back in June 1992. Serving as the general contractor for the project, the Belgian Siemens Nixdorf subsidiary assured that

the bank's staff of more than 1,000 people and the thousands of customers were ready for the new information technology when it was introduced. IN2 developed the required applications and assured their smooth integration into the existing architecture.

Another example of IN2's competence: introduction of a telephone banking system that was specially tailored to the needs of customers at the Bank Crédit Agricole. DIVINA served as the platform for this new service, which was implemented with methods and tools from IN2. Since its introduction in July 1994, the project - which the bank calls "Dynaphone" - has been receiving nothing but high marks from both staff and customers.

Bonn: With CATS, a conference is never more than a cat's whisker away.

A project called CATS - Computer Assisted Telecooperation Service - that is being conducted by Deutsche Telekom and Siemens Nixdorf subsidiary Sietec - which is playing a major role in the development - is the multimedia response to management's need for cost savings and flexible utilization of existing resources.Organizations that are following the trend away from large centralized production and administration locations and toward smaller business units are faced with a problem; inter-locational communication. Because urgent questions usually have to be clarified immediately,

graphics and models handled jointly on the computer by several experts, or the latest results coordinated as quickly as possible. CATS was specially devel-

oped as a telecooperation service for manufacturers and engineering offices. It utilizes ISDN to conduct audio, video and data conferences. Plus intelligent management and application software. The solution was implemented with the Joint X conferencing software developed by Sietec. Deutsche Telekom succeeded in winning prominent participants like BMW, Benteler and the Berlin Construction Academy as pilot partners for CATS.

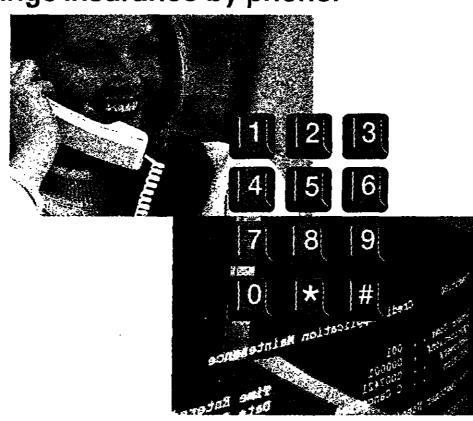
For the user, working with CATS is as simple as making a phone call: two or more work places are interconnected via ISDN, allowing projects to be worked on simultaneously

under the joint editing method. The result: lower production cost and significant savings in time thanks to travelfree conferences.



Brussels: JOSI brings insurance by phone.

With the implementation of the DIVINA project, a new era has dawned at Belgian insurer JOSI: Siemens Nixdorf's Belgian subsidiary IN2 provided full support in introducing its DIVINA development, from initial consulting all the way through to final implementation. IN2 used modules that were specially designed for the needs of the insurance industry to integrate DIVINA into JOSI's existing environment. The voice server, a PC running under UNIX, utilizes the insurance company's BS2000 mainframe for information interchange. This innovative voice server makes it as easy as can be for independent agents to communicate with the insurance company: using a telephone, and no additional equipment, it is possible for them to obtain rate calculations in a real-time link.



Siemens Nixdorf – Your multimedia partner for forward-looking solutions.

Korta Sara Marka Kabasa Kabasa Kata It's on everyone's lips: multimedia. No other form of information technology bears so much similarity to natural communication. Which also explains its enormous fascination and the public's willingness to participate in new forms of information interchange. In the form of either standard applications or. custom solutions for retailing, manufacturing, banking, insurance and government. The more sophisticated these new multimedia

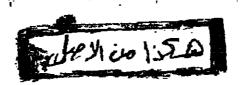
applications and service offerings become, the more important it is to have a solutions provider whose know-how ranges from the initial concept to ultimate implementation. And the hardware, software and communication networks on which they run have to be all the more versatile.

Accept the multimedia challenge - with Siemens Nixdorf as a capable partner for all services, products and solutions. With powerful hardware like the SCENIC multimedia

PC. POS systems and RM Series UNIX . . for your staff. Regardless of your individservers. With new data storage and compression technologies, and with networks. Siemens Nixdorf is your partner with that assure fast information transfer. Take advantage of electronic commerce to of information technology. gain competitive advantages through more service around the clock or straightforward

financial transactions. . . Use forward-looking distance learning offerings, like CBT on demand and teletutoring, to provide effective and cost-saving training ual needs - put us to the challenge. comprehensive competence in the field

For further information please call: Siemens Nixdorf Informationssysteme AG Corporate Communications Otto-Hahn-Ring 6 D-81739 München Fax: (+49) 89/636-48749 World Wide Web (Internet) http://www.sni.de



Senator Jesse Helms,

committee, will again defend

his North Carolina seat against

Mr Harvey Gantt, the black

former mayor of the city of

Charlotte, in the November

Mr Helms, first elected in

1972, defeated Mr Gantt six

years ago 53:47 per cent. That contest was marked by much

racial innuendo from the sena-

tor. Some early Helms commer-

cials this year have again attacked preferences in hiring

and other areas for blacks and

Mr Helms may be relieved

not to have to face the man Mr

Gantt defeated by 53:41 per

NEWS: THE AMERICAS

Clinton challenge on legislation gridlock

By Jurek Martin, US

SDAY MAY 9 1996

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President Bill Clinton yesterday threw down the gauntlet to the Republican majority in the US Congress by challenging it to pass the necessary legislation without "poison pills" that would ensure his veto.

Specifically addressing the causes of the current paralysis in Congress, Mr Clinton offered to sign a bill temporarily suspending the 1993 petrol tax if it were sent to him free of nongermane riders and if the Republicans allowed a comparable "clean" vote on increasing the federal minimum wage. He also explicitly reminded the Republicans that they appeared to be losing the battle for public opinion in their legislative tactics. Without directly referring to his expanding lead in the polls, the president pointedly asked: Will you go your own way again, leaving the American people with the memory of extremism, deadlock and gov-

ernment shutdown?" The remaining 90 days of the congressional session, he went on, should be treated "like the reform, if the Republicans

Mexico's often chilly relationship with the US

warmed a little this week, as

two days of talks ended with a

welter of agreements, Daniel

Dombey reports from Mexico

City.
The cabinet-level Binational

Commission reached accords

on topics including drugs

issues, immigration and envi-

Mr Warren Christopher, US

Secretary of State, hailed the

talks, for which an unprece-

dented nine US cabinet secre-

taries travelled to Mexico City, as having arisen from "the

most positive relationship that

ronmental co-operation.

Mexico's often

and not the beginning of an election season." All the seats in the House of Representatives, and a third of those in the Senate, will be at stake in the November election.

Mr Clinton's remarks came hours after Senator Bob Dole, Senate majority leader and pre-sumptive Republican presiden-tial candidate, and Senator Tom Daschle, Democratic leader, had indulged in a bitter exchange on the Senate floor, each accusing the other of foisting "gridlock" on Con-

The president said he would be "glad" to sign both the petrol tax repeal and a minimum wage increase, "if they come to me clean." The first, a Republican priority, is meant to counter the recent surge in prices at the pumps; the sec-ond, demanded by Democrats, is aimed at helping poorer working Americans

But he extended his offer by citing other important pieces of legislation which he would be willing to sign if they were stripped of what he repeatedly called their "poison pill" fea-tures. That included welfare

Mexico-US accords made

we have ever had between

His closing comments con-

trasted with the inaugural

statement of Mr Angel Gurria,

Mexico's foreign minister, who

had criticism of mounting anti-

migrant sentiment in the US

and of draft legislation before

Congress which seeks to pre-

vent third countries investing

But Mexican criticism

accompanied what seemed to

be a greater disposition to

co-operate with the US, whose

officials were especially enthu-

siastic about a Mexican request

Mexico and the US".

for the poor, and an immigration bill, if a rider approved by the House denying hospital care to the children of illegal immigrants were dropped.

Mr Clinton also said he was

perfectly willing to re-open negotiations on a seven-year balanced budget agreement, provided the Republicans stopped insisting on deep spending cuts for education and the environment. Mr Clinton, somewhat art-

fully, said he was not asking "the Republican national committee or Senator Dole to refrain from politics." But. "whenever we've worked together in a bi-partisan fashion, we've gotten progress." Mr Dole's initial reaction to the president's intervention was dismissive, sarcastically referring to what he called "the president's non-partisan appearance [at] the White

terly opposed by organised labour for fear it infringes on collective bargaining rights.

money-laundering law.

The subject has been espe-

Enforcement Administration

officials that Mexican banks

have been involved in money

laundering. Such comments

could have hardened the tradi-

interference in its internal

affairs. The suggestions were

this week down-played by US

Mexican officials spoke

highly of a pact to enhance

consular protection for illegal

immigrants to the US.

representatives.

cent on Tuesday in the Democratic party's senatorial pri-mary. Mr Charles Sanders, former head of Glaxo, the pharmaceuticals company, is House". He insisted he had offered the Democrats "clean votes" on the petrol tax and the minimum wage, so long as **Moderate** they agreed to a third clean division on the "team act", bit-

homosexuals.

advocate of several conservative positions, including term limits for members of Conarch-conservative chairman of the US Senate foreign relations gress, that, he claimed, undercut Mr Helms's appeal in ways

Helms in repeat run

Black opponent again for right-winger

Mr Gantt could not. In his speech to concede defeat, however, Mr Sanders promised to do "everything I can" to put Mr Gantt in the

The latter has challenged Mr Helms to public debate on racial questions rather than, as he put it, "hide behind those 30-second TV commercials." Mr Helms hoped the two could "disagree agreeably like gentlemen"

For all his long service in Washington and vaunted fundraising abilities, Mr Helms is accustomed to close races. His winning percentages in his four Senate elections have been in the range of 52 to 55

This year, however, he may benefit from new Republican rupt city \$350,000 to stage.

exceeding that of Democrats in North Carolina. The state has long mixed a

liberal tradition, rooted among blacks in its south and in the university complex by Raleigh Durham in the north, with strong conservatism. That was evident in the Republican gubernatorial primary on Tuesday, won by Mr Robin Hayes, supported by both the gun lobby and the Christian Coalition, for the right to take on Mr Jim Hunt, the popular Democratic incumbent, in

In presidential primaries on Tuesday, President Bill Clinton and Senator Bob Dole easily won North Carolina, Indiana and the District of Columbia against token opposition. The election in the US capi-

tal was noteworthy for the fact that voter turn-out hit a record low of 9 per cent - in a poll which it cost the quasi-bank-



Harvey Gantt, seen celebrating his Democratic primary win, will have a second tilt at arch-conservative Senator Helms

Elsewhere, the citizens of tion to attract, or retain, pro Nashville, Tennessee, comfortably approved a bond issue to help build a new professional football stadium, intended as the home of the current Houston Oilers team. US cities and

rate will drop, on July 1, from 58 per cent of federal tax pay-able to 54 per cent. Further

cuts will bring it to 40.5 per

Social activists and other

critics opposed the tax cut, sav-

ing the funds would be better

used to ameliorate cuts in gov-

ernment services, which have

included a 22 per cent reduc-

tion in welfare payments and lower funding for community

cent by 1999.

fessional sports franchises In March, voters in San Francisco supported a new baseball park on the city waterfront to keep the local

Giants from leaving for San

growth in economy

The US economy grew moderately in the past two months, with little sign of any inflationary pressures, a survey of regional business conditions by the Federal Reserve shows. AP reports from Wash-

cially delicate because of recent suggestions by US Drug The survey by the Fed's 12 regional banks showed all districts except New York were sharing in the expansion. Several districts "noted the pace of expansion had quickened tional Mexican aversion to recently."

"Price increases remained generally subdued and there were only scattered reports of vage pressures despite continued tight labour markets and somewhat stronger economic growth," the survey summary

Canadian province keeps aim to balance budget by 2001

Ontario to cut income tax

By Bernard Simon in Toronto

Ontario's Conservative government plans to cut personal income tax rates in the Canadian province by 30 per cent over the next three years, without jeopardising its aim of a balanced budget by 2001.

The tax cut, unveiled in the government's first budget since it took office last June, marks a sharp break from successive increases imposed by all levels of government in Canada over the past two

Ontario, which accounts for about 40 per cent of Canada's total economic output and is an active borrower on world capital markets, is well behind most of the other nine prov-

decades

inces and the federal government in bringing down its bud-

This week's budget projected a deficit of C\$8.2bn (US\$6bn) in the year to March 1997, down from C\$9.1bn in 1995/96. The Conservatives hope that public spending cuts and continuing economic growth will more than offset the new tax conces-

Mr Ernie Eves, provincial finance minister, said: "Unless we reduce our current levels of taxation, we will never return to prosperity, we will never create enough jobs to give Ontarians a secure future, we will never generate enough revenues to balance the bud-

The business community generally welcomed Ontario's strategy, but economists cautioned that a recession could

derail the deficit reduction tar-The government has yet to offer full details of its planned including the possibility of several large privatisations. Even so, Richardson Green-

shields, a Toronto securities firm, said in a commentary yesterday that the commitment to fiscal discipline by the federal government and the in our expectation of a secular rise in the Canadian dollar and narrowing long-term interest-rate spreads".

Mr Eves also moved to improve the business climate by exempting businesses with annual wage bills of less than C\$400,000 from payroll taxes used to finance health care ser-

This concession was offset by a health surtax on middleoverhaul of the public sector, and high-income earners.

Big step on Guatemala's tortuous road to peace

Social reform deal brings closer an end to Central America's remaining civil war, writes Fiona Neil

The signing this week of a social reform agreement by the Guatemalan government and leftwing guerrillas marks a big step forward in the slow trudge to wrap up Central America's longest and last remaining civil

The agreement is also another feather in the cap of President Alvaro Arzú who has surprised both friends and foe since he took office in mid-Jannary with a reputation as a tough rightwing businessman and a member of Guatemala's

exclusive white elite. The significance of the agreement lies less in its sketchy content than in the fact that the biggest hurdle to a final peace accord has now been cleared after almost a year of tortuous discussions.

With only three issues - the role of the army, constitutional reform and the re-integration of guerrillas back into society - remaining on the negotiating agenda, Mr Arzú's pledge to sign a full accord with the Guatemalan National Revolutionary Unit (URNG) to coincide with independence day celebrations on September 15 no longer seems the product of post-electoral euphoria.

The five-point agreement addresses a range of issues aimed at attacking the poverty that has fuelled the 35-year civil war, but is short on specifics. The most important points include the creation of a land bank to provide soft loans for poor peasants to buy property, the introduction of a land tax, and the establishment of a registry to define land owner-

ship.
All these measures are designed to attack Guatemala's notoriously skewed land distribution, without offending powerful landowners, who nearly derailed the peace process last year because they feared the government would back some kind of agrarian reform. Land distribution has been a fulcrum of conflict in Guatemala

for 200 years. The government also agreed to double health and education spending over the next four years by improving tax collection rather than raising taxes. There is something for everyone. No one can say they have been sold out," said one European diplomat.

The peace breakthrough is another example of Mr Arzú's ability to manoeuvre skilfully over Guatemala's political minefield, winning support

from a fledgling centre which may finally stamp out the tendency towards extremism in polarised Guatemala. His closest advisers include a handful of intellectual heavyweights some former URNG sympathisers - whom analysts say have softened his National Advance-

ment Party's rightwing image. He himself made the key breakthrough in late March by making a surprise visit to the guerrillas' headquarters in Mexico City. The URNG subse-

of a small but sophisticated group of reformist officers who dominate the military high

Analysts say these officers believe Guatemala's notoriously brutal and corrupt army must clean up its house if it wants to win international credibility and maintain its dominant role in the country's internal politics.

Mr Arzú still faces an uphill struggle. Classified documents recently released by the US



President Alvaro Arzú: surprising initiatives for peace Picture Peace

open-ended ceasefire as a gesture of goodwill. It was rapidly matched by Mr Arzú, who ordered the army to end all counter-insurgency operations. Mr Arzu has won international support for acting

swiftly to make good his electoral promise to attack crime rackets by purging elements of the powerful army accused of being corrupt, including a number of generals. While the government played down the charges, dis-

missing them as routine, privately ministers say those removed were involved in crime rackets ranging from kidnapping to international car theft and drug trafficking. The daring and unprece-

dented purge has the support

quently announced an historic State Department relating to army killings of US citizens in Guatemala may resurrect the thorny issue of human rights.

While Guatemala's army is prepared to tackle corruption in its ranks, it is unwilling to punish members for war crimes which have claimed the lives of around 100,000 civil-The country is also in the

midst of a crime epidemic which many fear may worsen after a full peace accord is signed, as occurred in neighbouring El Salvador. According to a recent news-

paper report there are an average of 10 killings and three kidnappings a day in Guatemala. Some say the crime wave may be part of a backlash by purged army officers without a job.

The Management Board

The provincial income tax

of Poliski Bank Rozwoju S.A. - Polish Development Bank in Warsaw hereby informs that pursuant to Art. 393 § 1 of the Commercial Code

and § 28 point 2 of the Company's Charter it convenes

the General Meeting of Shareholders to take place on 21 May 1996 at 13.00 hours in Warsaw at 5 Plac Trzech Krzyzy in the POD KOPULA Hall of

the Central Planning Office Building with the following agenda

1) Opening and appointment of the chairman;

2) Establishment of validity of the meeting;

3) Adoption of the meeting agenda: 4) Appointment of the returning (vote counting) committee:

5) Consideration of the Report of the Management Board on Activity of the Company, the Company's Financial Statements and the Report of the Supervisory Board (Bank Council) on examination of the above-named documents:

6) Adoption of the resolutions on the following matters:

- Approval of: the Report of the Bank Council on examination of the Company's Financial ents; the Report of the Management Board on Activity of the Company; and the proposal of the Management Board on profit distribution;

- Approval of: the Report of the Management Board on Activity of the Company; and Financial Statements in respect of 1995 including the Balance Sheet, Profit and Loss Account, Supplementary Information, and Cash Flow Statement; - Distribution of profit in respect of 1995:

Acknowledgement of the duties performed by the Management Board and the Bank Council;

7) Adoption of a resolution on establishment of an employee incentive awards fund; 8) Adoption of a resolution on changes to the bank's Charter. 9) Adoption of a resolution on increasing of the discretionary fund being equity of the

bank's Brokerage Office:

10) Conclusion of the Meeting.

The Management Board of Polski Bank Rozwoju S.A. - Polish Development Bank (PDB) informs that pursuant to article 399 § of the Commercial Code, the right to participate in the General Meeting of Shareholders is due to owners of bank's bearer shares if those persons submit at least one week prior to the date of the General Meeting a deposit certificate issued by the Brokerage Office or a certificate issued by the brokerage office maintaining their investment accounts. The latter certificate should contain a clause stating the number of shares held, and statement that at issuance of the certificate the said shares have been blocked at the investment Account until completion of the General Meeting.

In place of deposit certificates, the shareholders may submit a proof of placement of the deposit certificate in a bank safe-keeping facility or with a notary public. The said proofs contain information on the number of shares held and state that the deposit certificates shall not be returned before completion of the General Meeting. The certificates or deposit certificates should be submitted in the bank's premises in

Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznanska Street) between 6 May and 13 May 1996,

The list of shareholders authorised to take part in the General Meeting pursuant to article 400 § of the Commercial Code will be posted in the bank's premises in Warsaw, 54 Koszykowa Street (the IPC Building, at the Information Point located on the Ground Floor, entrance from Poznanska Street) three days prior to the General Meeting. A copy of the Report of the Management Board on Activity of the Company, together with the copies of the Company's Financial Statements and the Report of the Supervisory Board (Bank Council), plus the Auditors' Opinion together with the Auditors' Report shall be placed at the bank's premises referred to above and distributed to the shareholders at their request starting from 6 May 1996, 8.30-15.30.

The shareholders may take part in the General Meeting and execute their rights to vote in person or through proxies. Power of attorney should be granted in writing under the rigour of being found null and void.

Representatives of legal persons should present the excerpts from appropriate registers which name the persons authorised to represent those entities. Any person not entered in the above-mentioned register should present power of attorney in writing. Joint owners of shares are obliged to indicate in writing their joint representative authorised

to take part in the General Meeting. Persons authorised to take part in the General Meeting will be able to voting cards and to register those cards on the day of the General Meeting at the entrance to the meeting hall

between 11.00 and 13.00. The following changes to the bank's charter are proposed:

1) in § 13 words "in another way indicated by the Bank" shall be substituted with words» by takeover of the object of the lien to become a property of the Bank". The second second sentence shall be deleted.

a) in section 2 words, "until 31 May" shall be substituted by words- until 30 June".

b) section 4 shall read: -4. Convening of the General Meeting of Shareholders shall be done by means of an announcement in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) published at least three weeks before the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the daily newspaper Rzeczpospolita at least weeks prior to the date of the General Meeting",

the previous wording of section 4 is: -4. Convening of the General Meeting of cholders shall be done by means of two announcements in Rzeczpospolita, a daily with nation-wide circulation, at least 10 days prior to the date of the General Meeting. The information about convening of the General Meeting shall also be announced in the Financial Times at least 10 days prior to the date of the General Meeting",

c) section 5 is added which shall read as follows: ~5. In the announcement convening the General Meeting the date, hour and place of the General Meeting as well as the detailed agenda shall be included. In case of an amendment to the Charter the announcement should refer to the currently valid provisions and present the text of planned amendments.",

3) in § 29 the section number, "1" and section 2 shall be deleted, 4) in \$ 31 in section 1, following the word "votes" the word "cast" shall be added 5) § 32 shall read: »§ 32. Resolutions concerning issuance of bonds, including bonds

convertible to shares, changes in the Charter, disposals of the company, merger and dissolution of the Company are taken by the majority of 3/4 of votes cast." the previous wording of § 32 is: »§ 32. Resolutions concerning issuance of shares, bonds,

changes in the Charter, changes in the subject of the Bank's activity, or merger of the Bank shall require a 3/4 majority of votes cast", 6) § 33 section 2 shall read: ~2. In case when there is no quorum, as specified in section I, during a General Meeting the persons convening that Meeting shall convene another

number of shares represented at such a Meeting.", the previous wording of § 33 section 2 is: -2. If a properly convened General Meeting has no quorum, as specified in section 1, the persons convening that Meeting may set a second date for the General Meeting. In such a case, resolutions may be adopted irrespective of the

General Meeting in 14 days time. In such a case the Meeting is valid indifferent to the

7) in § 34 in section 1:

a) point 2 shall read; -2 examination and ratification of the report on activities of the company and the financial statements including the balance sheet, profit and loss account for the past year, additional information and cash flow,", the previous wording of point 2 is: "2 examination and ratification of the balance sheet,

and the profit and loss account in respect of the past year,", b) following point 2 point 2s shall be added which shall read as follows: -2a. distribution of 8) in § 36 point 1 shall read: ~1) ratification of the report of the Management Board

concerning activities of the Company and of the financial statements including the balance sheet, profit and loss account, additional information and cash flow." the previous wording of point 1 is:-1) initial ratification of the Management Board reports.

the Bank's balance sheet, and the profit and loss account in respect of the past year.". 9) in § 40 in section 1 words-commercial ledgers" shall be substituted with words ing ledgers".

10) § 41 shall read: § 41. The financial statements and written report concerning activities of the Company should be prepared by the Management Board within 3 months following the end of the business year and then presented to the Supervisory Board for approval. The Supervisory Board is obliged to take a resolution concerning approval. The Supervisory Board is obliged to take a resolution concerning approval of the filed documents within 15 days following the date of receipt of the financial reports and the report concerning

the previous wording of § 41 is:-§ 41. The annual balance sheet, profit and loss account and written report concerning activities of the Company should be prepared by the Management Board and approved by within 3 months following the end of the business year. Within the subsequent 2 months these should be submitted with the General Meeting of Shareholders for approval."

11) § 44 shall read:-§ 44. The announcements concerning the Bank and required by law shall be published in Monitor Sadowy i Gospodarczy (Court and Economic Monitor) according to the effective regulations and once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise.",

the previous wording of § 44 is:-- 44. The announcements concerning the Bank and required by law, with the exception of those mentioned under § 28 section 4 of this Charter, shall be published once in Rzeczpospolita daily newspaper, unless special regulations provide otherwise.

Management Board Polski Bank Rozwoju S.A. - Polish Development Bank.

EU edges towards easing of 'mad cow' curb

The European Commission yesterday demanded that Britain impose tougher controls on the production of gelatin and tallow made from cattle slaughtered in the UK as a precondition to the European Union lifting its ban on the products. The demand is central to a strategy mapped out chler, the EU agriculture commissioner, to prepare the way old ban. The plan still has to

By Graham Bowley in London

The empty, devastated factory

landscapes of the early 1980s and 1990s were testament to

the last great contractions of

Official figures published

today are expected to show

that, after a period of relative

buoyancy since 1992, manufac-

turing may once again be set

for further contraction as it

teeters on the brink of reces-

Its latest woes - which have

seen the annual growth rate in

manufacturing output fall from

4 per cent last March to about

half a per cent at present -have been exacerbated by a

large build-up in unsold stocks of finished goods and a fresh

deterioration in export perfor-

kets has virtually dried up

thanks to their slower growth.

Export volumes to the Euro-

pean Union have fallen by 3

per cent since last July

although exports outside the

These present troubles may

prove temporary but they nev-

ertheless mark the latest step

in a long and painful process

which has seen manufactur-

ing's importance in the UK

Manufacturing's long-term

demise has been inextricably

linked - as it is now - to the

UK's poor trade performance,

understandably so since trade-

able manufactured goods make

up the largest part of most

An overvalued exchange rate

Sales of trucks (Jan-April 1996)

at crucial points during this

iveco group" (Fisi) Leyland: Dai (Dai Trucks)

Scaria (investor)

Leyland DAF (DAF Trucks)

Industry fears that a two-year

recovery in the truck market is over were confirmed yester-

day by figures showing a 14.6

per cent year-on-year fall in

registrations of trucks of more

than 3.5 tonnes last month,

John Griffiths writes. Statistics

from the Society of Motor

Manufacturers and Traders

showed that April's registra-

compared with 4,983 in the

months of the year plunged to

developed countries' exports.

EU remain buoyant.

economy shrink.

Export demand in some of the UK's main overseas mar-

British industry.

be approved by the EU's standing veterinary committee, which is due to meet again next Wednesday. Yesterday they ended a two-day meeting, deferring all decisions to next

Mr Douglas Hogg, UK agri-culture minister, last night described the Commission proposal as "an important step", but he repeated his demand for an early lifting of the full ban on beef exports. Mr Hogg's aides said they believed the British beef industry could "live with" the conditions

Manufacturing decline

heads for a soft landing

Industry said yesterday that it

was happy for UK interest

rates to remain unchanged for

now, our Economics Editor

writes. "Our view on interest rates is that they can be left

said Mr Sudhir Junankar,

associate director of economic

analysis at the CBI, Britain's

largest employers' organisa-

tion. He added that the econ-

omy would have to weaken more to justify a further

reduction in base rates from

their current 6 per cent. Mr

period was blamed by many for

the poor trade performance. In the early 1980s tight monetary

policy and the UK's huge oil

exports led to a strong pound

which wrought havoc in the

manufacturing sector. Industry

suffered again during sterling's

membership of the European

Economic Forecasting, the eco-

nomics consultancy group,

believes manufacturing may

now be poised to outperform

the rest of the economy -

helped by the UK's relatively

low wage costs which mean

manufactured goods can be

competitive in international

markets. UK hourly labour

costs are 46 per cent lower

than in West Germany and 44

per cent lower than in Japan,

But even if manufacturing's

absolute decline is halted, its

relative share of overall GDP

looks set to remain stable at

61.6

21.8 18.7

6 per cent below the same period last year, with 17,080

vehicles registered compared

regarded as a useful indicator

of economic activity. But the

figures are sending out con-

flicting signals, as registra-

tions of lighter commercial

vehicles continued to be rela-

tively buoyant in April. Total

new commercial vehicles reg-

Commercial vehicle sales are

100.0 58.6 21.7 20.8

it estimates.

-75

(names in brackets indicate ownership); "Includes Iveco Ford and Seddon Atlanson.

On a brighter note, Oxford

exchange rate mechanism.

Industry content with unchanged rates

The Confederation of British Junankar made his comment

the lifting of the export ban on gelatin and tallow. But they accepted there was

still substantial EU opposition to even a partial lifting of the beef export ban, particularly from Germany. In addition, EU officials warned that there were still doubts over whether EU veterinary committee, which consists of representatives from member states. would agree to Mr Fischler's plan. However, one official added: "If agreement could be reached on this it would create "live with" the conditions attached by the commission to both the UK and other member

shortly after Mr Kenneth

Clarke, chancellor of the

exchequer, and Mr Eddie

George, governor of the Bank of England, concluded a rou-

tine monetary meeting. As

expected, no cut in rates was

announced in the immediate aftermath of the meeting.

Meanwhile the CBI published

trends in UK manufacturing

industry. It reported that orders fell sharply in six out of

11 regions in the four months

best. While manufacturing has

been in the doldrums this year,

the service sector has contin-

ued to grow rapidly - at an

annual growth rate of 2.8 per

cent in the first quarter of this

But should we be worried by

British industry's relative

decline? Ms DeAnne Julius,

chief economist at British

Airways and co-author of a

prize-winning essay on de-in-

dustrialisation, thinks not.

"There is nothing special about

manufacturing that means it

should receive special atten-

tion from government policy.

Mr Geoffrey Dicks, econo-

mist at NatWest Markets,

agrees there is small cause for

concern. "We cannot live by

services alone because a lot of

the sector services manufactur-

ing. But that said, it is not wor-

rying that manufacturing has

become as small a part of the

Motor Industry Correspondent

A development partner,

perhaps in Asia, is being sought by LDV, the British

vanmaker which has risen from the ashes of the former

Leyland Daf group. The compa-

ny's choice of Samuel Mont-

agu, the Asia-based merchant

banking arm of the HSBC

banking group, as financial

adviser underlines the belief of

Mr Allan Amey, LDV chief

executive, that LDV could find

a partner to work on new

Mr Amey believes companies

in a number of newly industri-

alising markets could be inter-

ested in co-operating on a suc-cessor to LDV's current range.

The new model would combine

LDV's reputation for

no-nonsense products with

Mr Amey said he expected

the next 12 to 18 months to be

occupied by discussions with

potential partners. LDV's 1,500

employees will be hoping he finds a candidate quickly. "We

are aware that the current

structure of the company prob-ably won't be suitable in the

next three to five years," he

more modern technology.

she said.

states to improve the situa-But he said the commission has to act carefully. There is

no point being radical on this issue if the member states will not follow us." The commission is demanding that only authorised plants should be allowed to make gelatin and tallow and that labelling should show what production techniques had been used.

Factories in retreat

1948

70

The UK has also avoided the

balance of payments problems

thought inevitable as imports

continued to be sucked into the

UK without the manufactured

not unique - a move away

from industry towards services

is a trend common to most

Rescued vanmaker seeks

said. "Are we still going to be a

Mr Amey's candour stems

private company in three years' time? I would doubt it."

from the fact that LDV is a

minnow in a shark-infested

sea. With sales of just 15,200 vans last year, it ranks as the

smallest of Europe's volume

vanmakers. Moreover, almost

all its business is in the UK,

robbing it of the ability to ride

out national business eycles by

spreading its sales internation-

that LDV had a future. The

company had flourished in the

three years since the collapse

of Leyland-Daf, he said. Pro-

duction had climbed steadily,

and turnover jumped 43 per cent to £216m (\$326m) last year

while pre-tax profits rose 27

Such figures have embar-

rassed the experts who pre-dicted LDV was heading

towards bankruptcy after its

rescue. Instead, it has flour-

ished by concentrating on sim-

ple, sturdy vans, which can be

tailored relatively cheaply to

the customers' individual

Ford and Fiat, produce many

While bigger rivals, such as

per cent to £23.3m.

Yet Mr Amey was confident

partners for new range

And the UK's experience is

exports to pay for them.

75

developed countries. Despite

its present troubles, UK manu-

facturing's relative decline

may be nearing an end,

whereas in other countries -

such as Germany and Japan -

there appears still to be much

erally come in fewer variants.

That means fleet buyers who

want special features, such as

a sliding door here or a rolling

door there, have to send their

newly-acquired vehicles to a specialist bodybuilder for con-

version. By contrast, LDV does

the job itself straight off the

The company hopes its new

models and its move back into

exports will lift sales to 17,000

vehicles this year. But while

improved products and broader

distribution will raise cash-

flow, they will not be enough

to guarantee LDV's long-term

future. In spite of styling

changes, the new Pilot and

Convoy can be traced back to

The new models may refresh

the range sufficiently to carry

LDV into the next century, but

the company will eventually

have to come up with a new product. That is where the

trouble starts. Mr Amey reck-

oned a new van would cost

£150m (\$226.50m) to develop:

many in the industry would

put the figure appreciably

higher. Either way, it is proba-

bly beyond the company's

the 22-year old Sherpa van.

production line.

Samuel Brittan, Page 14

further to fall.

"Once these measures are put into action the Commission considers that it would no longer be necessary to main-tain the export ban," a com-

Balance of trade (in total manufacturers, Sbn)

1970 72 74 76 78 80 82 84 86 88 90

mission statement said. The commission statement added that the proposals matched recommendations from the World Health Organisation which said that gelatin was safe if the manufacturing process "has been demonstrated to significantly inactivate any residual infective activity that may have been present in source tissues. Tallow is likewise safe if effective rendering

procedures are in place". EU officials confirmed that Mr John Major, the British prime minister, had written to Mr Jacques Santer, president

of the commission, pressing for a "rapid solution" to the problem. Mr Major suggested that, if no progress could be made, a summit of EU heads of state should be called.

The British government's cull scheme finally began yesterday as about 1,000 cattle aged over 30 months were destroyed. But most of the slaughterings were in Scotland and Northern Ireland, with only about 100 in England, and bottlenecks continued to be reported. The government said on Tuesday there was a backlog of 120,000 cattle.

Central bank downbeat on EMU

Financial markets will punish risky, he added.

Mr George saidthe recent

His comments provided a stark outline of the unpalatable choice that any future UK government will face later this decade if European monetary union goes ahead.

However, his downbeat analysis is likely to be rebuffed by Mr Yves Thibault de Silguy, the European Union's monetary commissioner, who meets with UK businessmen and political leaders in London

for EMU. He will meet the oppposition Labour party's shadow chancellor of the exchequer, Mr Gordon Brown, and the deputy prime minister, Mr Michael Heseltine. He will also promote the advantages of a future exchange rate mechanism to tie those outside RMU to the single currency.

Commission officials insist that they do not intend to try to "bully" the UK into reentering a future ERM. However. Mr de Silguy will argue that full sovereignty is a myth for countries in the modern world - and insist that a single currency could increase

Speaking to the House of Commons Treasury select committee, Mr George pointed out that the high unemployment levels in Europe, and the variation between countries, were an important factor threatening the viability of the single currency project.

But although he said that the recent slowdown in Europe made convergence towards EMU increasingly difficult, he added that political pressures in France and Germany meant they were likely to press

although in the longer term he hoped that prudent economic management might eventually lower them. "The financial markets would penalise us they would be suspicious about why we had stayed out and would demand a premium." he said.

By Gillian Tett,

the UK by pushing up its bond yields if it stays outside a single currency, Mr Eddie Goerge, the governor of the Bank of England, warned yes-terday. But if the UK enters a single European currency it will be tying itself to a project which looks increasingly

economic slowdown on the mainland of Europe had left him "more doubtful than a year ago" as to whether the conditions would be in place for healthy monetary union in 1999 - the planned starting

today and tomorrow. Mr de Silguy hopes to use

the meetings to win support

jobs and economic growth.

But the problems Mr de Silguy will face in persuading UK officials of this were underlined by Mr George.

ahead anyway.

The UK could face the risk of discrimination if it stayed outside EMU, be added. Meanwhile, bond yields would almost certainly rise -

UK NEWS DIGEST

Ministers split on competition

The government should have no role in the creation of national corporate champions, Mr Ian Lang will say today in a break from the approach adopted by his predecessor as trade and industry secretary. Mr Michael Heseltine, who is now deputy prime minister. Mr Lang will also stress that the promotion of domestic competition is back at the heart of his role as arbiter of mergers and acquisitions. This return to the so-called Tebbit doctrine of the mid-1980s - which takes its name from the former trade secretary, Lord Tebbit - is the clearest indication yet of the sharp divide which has opened between Mr Lang and Mr Heseltine.

Mr Heseltine has always been more committed to the promotion of competitiveness and inward investment than the fostering of domestic competition. The statement by Mr Lang, in a speech today to a conference on utilities, has many implica-tions for British industry and the City of London, since as trade and industry secretary he plays a quasi-judicial role in deciding whether takeovers should proceed. At the conference, organised by the Adam Smith Institute, the free market think tank, Mr Lang will say that he will use his powers to stimulate competition in the utility industries. However, he will also make it clear that this philosophy underpins his approach to all takeovers, in whatever industrial sector.

Robert Peston. Westm

Mergers watchdog is defended

Past and present members of the Monopolies and Mergers Commission have defended its handling of the electricity generators' bids for two regional distributors. They were responding to last week's resignation from the commission of Mr David Kinnersley, a former chief executive of North West Water who criticised the MMC's workings and called on other members to quit. Mr Kinnersley was speaking after Mr Ian Lang, the trade and industry secretary, blocked the bids by National Power and PowerGen for Southern Electric and Mid lands Electricity despite an MMC recommendation that they should be allowed to proceed.

Commission members contacted by the FT rejected Mr Kinnersley's criticisms. One member, a lawyer, said: "I can't see any validity or strength in his points and I'm certainly not aware of unease or unrest in the commission. We're in a 'no

Stefan Wagstyl, Robert Rice and Andrew Bolger

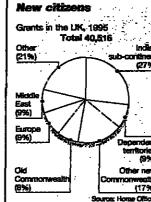
Equitas failure cover is offered

Lloyd's of London Names are being offered the Lloyd's of London Names are being one of the Loyd's of London Names are being one of the Loyd's chance to buy protection against the possible planned rescue vehicle. The product, launched by Aon Research and Loyd's grown could be to Special Risks, part of the Aon broking group, could help Lloyd's sell its planned recovery plan - of which Equitas is part - to Names, individuals whose assets have traditionally supported the insurance market. Equitas will take responsibil ity for billions of dollars of US asbestos and pollution-related liabilities and is intended to allow Names to draw a line under their affairs at Lloyd's and leave. Some Names fear that, if Equitas has insufficient assets, they might face extra bills. The new product will allow them to protect specified assets against Ralph Atkins, Insurance Correspondent

Business park near airport

A £100m (\$151m) business park is to be developed at Manchester Airport in northern England in a joint venture by Arlington Securities and Manchester City Council. The park will house about 4,000 jobs on a 20ha greenfield site near the airport's terminal buildings and hotels. The airport, owned by Greater Manchester's 10 local authorities, is the ninth largest Ian Hamilton Fazey, Manchester

Fewer gain citizenship



More people from the Indian subcontinent than any other region were granted British citizenship last year, followed by other entrants from the "new" Commonwealth, the Middle East and Europe, government figures show. The Home Office said that, of 40,516 people granted British citizenship last year, 27 per cent came from Pakistan, Bangladesh, India and Sri Lanka. Other "new" Commonwealth countries in Africa, the West Indies and elsewhere made up a further 17 per cent. Citizens (17%) from the "old" Commonwealth - Australia, Canada, South

Africa and New Zealand - made up 8 per cent of those becoming British. The figures mark a continuation in the gradual decline in the number of people awarded citizenship from 117,000 in 1989 and 59,000 in 1991. This happened despite a continued increase in the number of applications for citizen-ship from 43,000 in 1993 to 52,000 last year. Nearly 45 per cent of the grants were made on the basis of residence, with a further 30 per cent for marriage to a British citizen. Mark Suzman, Social Affairs Correspondent

Workplace illness rises

The health of the British workforce leaves much to be desired, say two reports. Working days lost through strikes - once called the national sickness - are at their lowest level since records began in 1891 but evidence continues to mount that the new national sickness is sickness itself. With rising absenteeism costing around £11bn (\$16.6bn) annually, the government's Health and Safety Executive said that more than 2m employees each year were suffering ill-health either caused or aggravated by the workplace. The HSE's comments coincided with a report claiming that Myalgic Encephalomyelitis, otherwise known as ME, is costing nearly £1.5bn a year in benefits, medical bills and loss of government revenue. At least 150,000 people in Britain are thought to be affected by the illness, characterised by exhaustion and lethargy. Michael Cassell,
Business Correspondent

Ostrich farming attracts protests

same month a year ago. The istrations last month were 0.8 market for the first four per cent higher than in the

Financial Times Reporters

Investors in ostriches were mocked by animal welfare campaigners outside the High Court in London yesterday as the Ostrich Farming Corporation warded off an application by the British government to wind it up.

Dressed as a "City gent" astride a pantomime ostrich, Mr Richard Hardy (right), of the Compassion in World Farming group, said the wild birds were ill-suited to life in small paddocks in a cold, wet

But Mr Rob Collard, a Welsh ostrich farmer who is offering to ship birds belonging to OFC investors from a farm in Beltroubles for the ostrich indus-try, that's all."

The government's application to wind up the OFC was postponed after the company said it needed more time to prepare its defence.

Afterwards, one investor said: "We are all very concerned about the whole situation. We want it sorting out as soon as possible. The whole thing is a nightmare."

The Official Receiver was

appointed in April as provi-sional liquidator of the OFC. which took millions of pounds from several thousands of investors by "guaranteeing" annual returns of more than 51



US and S African governments face suits over weapons-to-Iraq case Ex-arms dealer to sue over jail term

The former British intelligence agent and company director at the heart of the arms-for-Iraq affair, Mr Paul Grecian, yesterday said he planned to take legal action against the South African and US governments for wrongful imprisonment. Mr Grecian arrived back in the UK from South Africa after a Johannesburg court rejected a US request for his extradition on charges of conspiring to sell artillery fuse components to Iraq in violation of an arms embargo.

He described the past six

months, during which he was held in South African prisons while facing pressure from US

has caused him and his family distress. "There is no doubt in anybody's mind that the Americans have not acted in very good faith, and that the action of certain officials in South Africa left grounds for serious concern," Mr Grecian said at a press conference in the House of Commons organised by Ms Ann Clwyd, the opposition Labour party MP who has campaigned on his

Mr Grecian was arrested in December by South African police on an Interpol warrant while visiting his fiancée, even though a British appeals court had just quashed his convic-tion for illegally exporting arms to Iraq via Jordan. Yesterday he accused a US

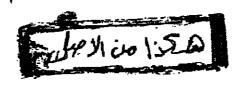
prosecutor of conducting a per-sonal vendetta against him. and urged the UK government to intervene to have his Interpol warrant cancelled. Mr Grecian's release from

South Africa followed intense behind-the-scenes discussions between senior officials at the Foreign Office in London and members of the Mandela administration A former director of Ord-

nance Technologies (Ordtec), a British-based engineering company, Mr Grecian was con-victed in 1992 of illegally selling arms to Iraq. But the conviction was overturned last year after new evidence, with-held from the defence in the original trial, was uncovered by an independent inquiry

headed by Sir Richard Scott. Official documents showed the UK government had known UK arms were being supplied to Iraq via Jordan but had chosen to turn a blind eye. They also showed that Mr Grecian had been among the first informants to provide the UK intelligence service MI6 with crucial information about the Iraqi supergun project. US prosecutors are persisting

with the case against Mr Grecian, alleging that he used false end-user certificates showing that artillery fuse components were destined for Jordan to obtain an export licence for the US manufacturer, the New Jersey-based Rexon Technologies Corpora-



Cinema/Nigel Andrews

Growing up

and rites

of passage

ARTS

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grammes

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> White Squall is a rite-of-passage movie about schoolboys growing up. Mr Holland's Opus, as an early captioned quotation suggests ("To teach is to learn twice": Joseph Joubert), is a ditto movie about a schoolteacher growing up. The first film is based on a true

WHITE SQUALL

Ridley Scott

MR HOLLAND'S OPUS

Stephen Herek

EXECUTIVE DECISION

Stuart Baird

STONEWALL

Nigel Finch

100 DAYS BEFORE THE

COMMAND

Hussein Erekinov

Bill of Rites. It decrees that every

male citizen, bar none, must go

through some major testing experience, either to prove that he is a

man or to learn some higher wis-

dom about Life.

ome constitutional imper-

atives are no less forceful

for being unwritten. Just

as America has her Bill of

Rights, Hollywood has its

story about a school ship that sank in a Caribbean squall in 1961, with 13 survivors and six dead. Tension, scenery and spectacle abound, along with the manhood lectures. The other, a Mr-Chips-witheverything epic about 30 years in the life of music master Richard Dreyfuss, offers tears, comedy, family drama, more tears and a climax that for sheer schmaltz makes The Sound Of Music seem like Huis

White Squall, directed by Ridley Scott, is low art with a high art sheen. It looks like every sea painting you ever wanted to steal off a gallery wall. The rearing brigantine riding the high-clawing, silvered waves; the Turnerish storms blending their gloomy, glowing half-col-

INTERNATIONAL

ARTS

ANTWERP

De Singel Tel: 32-3-2483800

works by Wolf; 8pm; May 14

Konzerthaus Tel: 49-30-203090

Andreas Staier perform works by

Concerto K\u00f6ln; and pianist

Vanhal; 7.30pm; May 12

Breadt, alto Gabriele

Don Quixote: by Kienzi.

Performed by the Rundfunk-

Stationie or chester Berlin and the

Ernst Senff Chor, conducted by

Blanck, mezzo-soprano Michelle

Schreckenbach, tenors Kurt Westi

and Robert Wörle, baritones

Wolfgang Schöne and Dietrich

Gustav Kuhn. Soloists include

BERLIN

CONCERT

Prégardien and Michael Gees: the

soprano, tenor and pianist perform

Juliane Banse, Christoph

CONCERT

ours; the hot-hued exoticism of hulls

Mind you, the maker of Alien and Blade Rumer is getting careless with his exoticism when he strews Spanish moss and palm trees over an early scene set in nordic Connecting the street of the ticut (actually shot, end credits reveal, in South Carolina). And we scream louder at the phonier impo-sitions that follow. This tale of boys on the briny under the rasping aegis of Captain Jeff Bridges, now looking frighteningly like father Lloyd, becomes a excuse for two hours of contrived adversity and

preachy inspirationalism.

Even before the squall strikes ten fine minutes of shivering timbers and exploding water - we have had the boy with vertigo who is forced to climb the rigging, the boy with father troubles who harpoons a symbolic dolphin, and the boy who writes arch voiced-over diary entries like "Today I leave the path chosen for me...

The voyage and its horrors finally teach the lads, or the surviving ones, the virtues of teamwork and respect for authority. But if they had wanted to learn cracker-barre wisdoms they could have enrolled in Dead Poets Society, which this film painfully, if at times pictur-

esquely, resembles. Mr Holland's Opus is silly too, but more lovable. Richard Dreyfuss wants to write the great American symphony but is stuck with teaching the great American unwashed The place is an Oregon high school from the 1960s to the present day.

Like Michelle Pfeiffer in Danger ous Minds, Dreyfuss learns that it is no use knocking on his pupils' minds straight away with high culture. So he puts on hold his own preferences to give them the Beatles instead of Bach, the toys instead of the 12-note system. Judging by Dreyfuss's own com-

positions, which sound like Aaron Copland rearranged by Mantovani, he is hardly up there with the avant-garde himself. But this is just one of the ways in which the film has its Virtuous Elitism cake while eating a cheap and tasty one that looks the same. Dreyfuss earned an Oscar nomi-



Jeff Bridges as the captain in Ridley Scott's tale of boys on the briny, 'White Squall'

nation for his gallant ageing feat, from boyish wig and bright pancake complexion to white hair and granny specs in 2% hours, but even he cannot steer us through so much manipulation without our feeling used and abused. There is the wife (Glenne Headly) who sighs, laughs and/or sniffles with him through every crisis. (Don't women have a life of their own? Not in Hollywood). And there is the deaf son our hero neglects - lavishing time instead on the school's needy black drummer and auburn-haired clarinettist - until the multi-Kleenex moment when he sings a song especially for him, with sign language,

The terrible thing is that the film jerks tears from us even as we despise our own gullibility. Reflexologists should look into this. Maybe it is the timing: a 150-minute press show on a light breakfast. Or maybe it is the magic of stars. When an actor like Dreyfuss puts his all into a role - shrugs, tics, chuckles, whiplash asides, brimming eyes we go along with the singer even

English farce and the French

farce of Feydean, perhaps it

lies in the fact that the English

version of the genre is so often

fuelled by embarrassment. Discov-

ery, or the possibility of discovery,

hrings with it a sense of shame. Whereas in Feydeau, certainly in Peter Hall's new production of Mind

Millie for Me (Occupe-toi-d'Amelie),

the characters do not even have the

redeeming grace of the potential for

embarrassment: they are all so heartless and greedy that their sole

motivation is not to be found out

until they have had time to pursue

their frantic strategies.

Snappily translated by Hall and Nicky Frei, Mind Millie for Me is set in turn-of-the-century Paris and

revolves around an upmarket courtesan, Millie, who is left to the ten-

der care of Marcel, her lover's best

even agrees to a fake marriage with

friend, while her lover is away. She

Marcel in order to boost his flagging fortunes by rendering him eligible

at a deaf school concert.

while having doubts about the song.

As well as on sea and land, Execu-Kurt Russell and a crack commando

get shot when they dispute his commands. We also respect the right of religious extremist groups to pro-vide much-needed distraction on long haul flights. This group even allows a showing of the in-flight movie to the passengers, who must have begun to believe they were the in-flight movie.

lover Etienne returns early and dis-

covers that the two appear to have

betrayed his trust, he takes his

revenge by sabotaging the fake wed-

ding so that the two are in fact

In Hall's bright, brittle, eagle-eyed

production the ruthlessness of these

self-centred individuals is empha-

sised. Unlike some farces, which

begin with near-normality and spi-

ral out of control, here we appear to

be in a world that is permanently beyond moral repair. Like all Fey-

deau's farces, the plot is an inge-

nious and precisely balanced mech-

anism that works brilliantly, but we

feel as if we are looking in on just one revolution of a ghastly machine

that continues long after we have

left. The characters are all mon-

strous, the atmosphere is bubbling

with hysteria right from the begin-ning, and the whole thing has a

nightmarish quality, emphasised by

Gerald Scarfe's luridly coloured,

slightly surreal sets.

joined as husband and wife.

defused with perspiring tweezers down in the hold while up above we are amazed at all the unused loft

tive Decision shows you can learn wisdom five miles up in the air. Over the Atlantic the passengers of a Washington-bound jumbo jet fall prey to a trigger-happy Arab hijacker (David Suchet) with prisoner-freeing demands. On board, the Pentagon learns, there is "enough nerve agent to blow up half the Eastern seaboard." Can CIA agent troop stop him by boarding the plane? Secretly, and in mid-air? We wish to say at this point that Mr Suchet is in no way representative of a just and tolerant race, as witness the Islamic henchmen who

land the quaking, perforated plane. With so many movies teaching us to be men how refreshing, in theory, to have Stonewall and 100 Days Before The Command. The first is Nigel Finch's tribute to the 1969 Stonewall riots, when police and homosexuals clashed outside the eponymous bar in Greenwich Vil-The event has become so sacra-

Theatre/Sarah Hemming

Feydeau farce with a hard edge

Meanwhile a bomb must be mental in gay lore that it could do

This approach brings out Fey-

deau's despair at hypocrisy and

moral bankruptcy - his savage satire of a society where rank is all.

where a woman can be passed

around like a bank-note and where

marriage is the biggest disaster that

break-neck speed, is admirably detailed and often very funny. But

you are never helpless with mirth: since the characters have no

warmth there can be no real sense of betrayal, no real anguish and no

truly desperate comedy - you can-

not laugh heartfly in sympathetic

That said, the line Hall has taken

is expertly executed and sustained,

and the cast give superbly polished,

frantic performances. Most have found a key to their parts in move-

ment: Nicholas Le Prevost's ramrod

Etienne stalks stiffly like a jointless

dummy; Neil Pearson's manic Mar-

cel bounces as if propelled round the stage by invisible springs; his

recognition of their predicament.

The production whistles along at

can befall anyone.

space in these planes - Russell

must monkey-clamber about with

surveillance tools. Between levels a

stewardess (Halle Berry) must be

lured into the troop's confidence by

remote communication, so that she

from the way from the surprise

early exit of Colonel Steven Seagal

sucked away by a cross-draught to another film - to the inevitable

moment when a non-flyer must

during docking manoeuvres

someone. "I guess we're as American as apple pie."

The homosexuals in Hussein can gasp and gesticulate attrac-tively for the video link-up. It is all undemanding fun, right

Erekinov gained permission to

voyeuristic Dutch uncle, pink-faced

and carrot-haired, waddles around-like a wind-up toy (a delightful per-

formance from John Fraser). There

are enjoyably witty performances

too from Peter Blythe as a pomp-

ous, panting prince and Robert Lang as Millie's fumbling, fawning

The show is carried along, how-

ever, by Felicity Kendal as Millie,

who succeeds in combining blatant

acquisitiveness with oodles of

charm. Hers is the one character

who seems to have a beating heart

become a wife, she suddenly

changes tack, suggesting that beneath the coquettish invincibility

lies a yearning for something

deeper. But for the most part this is

a perfectly-turned, hard-edged pro-

duction displaying human grubbi-

Continues at the Theatre Royal,

Haymarket, London (0171-980

ness like an overturned anthill.

when she realises that she has

with some irreverence. Instead we get a Brechtian soap opera: 90 minutes of strutting, flouncing and agitprop attitudinising - Miranda the drag queen who specialises in being thrown out of bars is especially tedious - wrapped up in dialogue to die for. "We deal in dreams," says

Erekinov's 100 Days Before The Command are as Russian as cold cabbage soup. Not a smile from any of the uncloseted and often unclothed gays in this anguished tale of forbidden love in the mili-

shoot in an army base by giving the authorities a fake script. Unfortunately he did not have, on this evidence, a non-fake replacement. Stock training footage listlessly alternates with shots of naked men in bunkrooms or showers, as if crosscutting alone would conjure a drama and a narrative. Instead we come out humming the echoey barracks and bleak Slavic silences.

Lyrical Miss

Strindberg's midsumme night's scream of sexual attraction and class antagonism now moves to the operatic stage. The newly formed Operate (music director Philip Headlam) is a chamber opera company, the brainchild of Julia Hollander, one of the more exciting new talents in opera production (at ENO ber Ferminore and Gerda garnered both brickbats and bouquets; her production of Buller's Bacchae made for anequivocally thrilling theatre).

For its inaugural production the company has chosen a composition by Margareta Hallin, herself a distinguished Swedish soprano distinguished swellis softano -festival-goers with long memories may remember her blind, visionary poetess in Blomdahl's space-ship opera Antara at Edinburgh at the dawn of the 1960s. It is a good choice, since without sacrificing any integrity, Hallin's score is accessible and emotionally quick to respond to the changing moods of the amour fou of the aristocrat and her father's manservant. Tonal, made up of snatrhes of melody and conversational flexibility, and with occasional hints of haunting folksong, the obvious comparison i with a Scandinavlan Janáček.

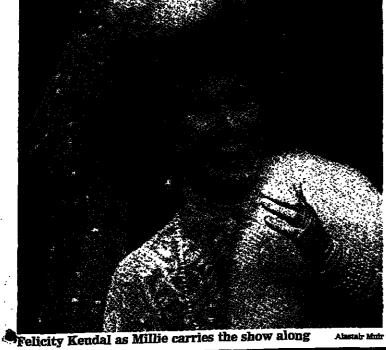
Apart from the three principals (the third is the down to earth servant Kristin, a confident symbol of self-righteousness amidst the socio-sexual heresies that fester around ber in the torrid midsummer air), the score calls for a string quartet. Led by Nell Catchpole, divided into two pairs diagonally facing each other across the studio space, the young players are as evocative as Paul Russell's lighting design in both accompanying and intensifying the mood; and sometimes commenting ominously, as in sinisterly sliding violin *portamenti*.

vocally well defined. The manservant Jean is allowed a lyrical outburst as he rhapsodises about the Alps and the lovers' projected escape to their own hotel, giving way to triple-time mockery as disiIlusion sets in. Both Kristin and Julie have moments of reiterated declamation on one note – despite the tragedy, the women are certainly commanding figures for misogynist Strindberg – while Julie's bright soprano can hint at hysteria and the ostinato obsessiveness, darkening into her moment of chorale-like religious certainty.

All roles are well written for young voices, and are gratefully performed by Janet Mooney (Julie), Richard Halton (Jean) and Rose Bellingham (Kristin). They make confident stage figures in Hollander's production, dominated by a spiral staircase that might have been flown in from Covent Garden's Midsummer Marriage, a visual reminder of the literal gulf between upstairs and downstairs that not even just can bridge for long. And the offstage Count's boots are as potent a symbol of arrogant, unassailable masculine authority as the late General Gabler's pistols were for his little tomboy daughter, Hedda.

Martin Hoyle

Lyric Studio, Hammersmith, London W6 until May 18. Supported by Absolut Vodka, NiKeNo, the Polonsky Foundation.



Philharmonie & Kammermuslicsaal Tel: 49-30-2614383

 Berliner Symphoniker: with conductor Alun Francis, pianist N. van Oosterum, violinist S. Viersen and cellist L. Groeneveld perform Beethoven's overture to Fidelio and Symphony No.5 in C minor, 4pm; May 12 **OPERA**

Deutsche Oper Berlin Tel: 49-30-3438401 Alfredo Kraus: masterclass by the tenor, featuring Camille Capasso. Abbie Furmansky, Marten Ernst Lassen, Ralf Lukas, Mathias Schulz and others; 11.30am; May 12

BONN OPERA Oper der Stadt Bonn Tel: 49-228-7281

 Cermen: by Bizet. Conducted by Eugene Kohn and performed by the Oper Bonn. Soloists include R. Ingle, I. Bartz, I. Zaric, T. Karlsen, P. Naviglio and C. Conde; 7pm; May 11, 14 (8pm)

■ BRUSSELS

Mendelssohn, Albrechtsberger and EXHIBITION Palais des Beaux-Arts Tel: 32-2-5078466 August Sander. Le Pont Transbordeur: exhibition devoted to the work of the German photographer August Sander. The soprenos Celina Lindsley and Kisten display includes historical documents and more than 200 photographs, including photographs for his life-work Menschen des 20 Jahrhunderts (People of the 20th Century); to May 12 Herschel, and basses Thomas Hay and Andreas Kohn; 7.30pm; May 11, Théâtre Royal de la Monnaie

Tel: 32-2-2291200 Pelieas et Melisande: by Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pederson and Nathalie Stutzmann; 3pm; May

■ COLOGNE OPERA

Opemhaus Tel: 49-221-2218240 Eugene Onegin: by Tchaikovsky. Conducted by David Levi and performed by the Oper Köln. Soloists include Schweikart, Döring and Andonian; 8.30pm; May 10

■ COPENHAGEN Det Kongelige Teater Tel: 45-33 14 10 02 La Forza del Destino: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Danish

Opera. Soloists include Gitta-Maria

Sjöberg, Per Hoeyer and Stephen

LONDON

O'Mara; 8pm; May 11, 14

CONCERT Royal Albert Hall Tel: 44-171-5898212 The Royal Philharmonic Orchestra: with conductor Owain Arwel Hughes, tenor Thomas Allen and the Royal Choral Society perform works by Holst and Walton; 7.30pm; May 12 EXHIBITION **Dulwich Picture Gallery** Tel: 44-181-6935254 Soane and Death: a major group of drawings from the Sir John

Scane's Museum on the theme of tombs and monuments is displayed in an exhibition exploring Soane's interest in memorials and death rituals. The Dulwich Picture Gallery itself contains one of the most important of Soane's mausolea. designed for the bodies of the Gallery's founders; to May 12 OPERA

London Coliseum Tel: 44-171-8360111 Fidelia: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera, Soloists include Anthony Rolfe Johnson, Kathryn Harries Keith Latham and Philip Sheffield; 7.30pm; May 10 THEATRE **Barbican Theatre**

Tel: 44-171-6388891 The Taming of the Shrew: bv Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. The cast includes Josie Lawrence; 7.15pm; May 10

■ MADRID

CONCERT Auditorio Nacional de Música Tel: 34-1-3370100 Orouesta Nacional de España: with conductor Enrique Garcia Asensio and piano duo Renteria-Matute perform works by Esplá and De Falla; 7.30pm; May 10, 11, 12 (11.30am)

■ MUNICH CONCERT Philharmonie im Gasteig Tei: 49-89-48098625 Tokyo Symphony Orchestra: with conductor Norlchika Itmori and pianist Markus Schirmer perform Takemitsu's Nostaloia, Mozart's Piano Concerto in C major, K467 and Tchaikovsky's Symphony No.5; 8pm; May 12

■ NEW YORK **EXHIBITION** Whitney Museum of American Art

Tel: 1-212-570-3600 Collection in Context: Willem de Kooning's Door Cycle: exhibition reuniting a series of paintings created by De Kooning in the mid-1960s. The series consists of individual female figures painted on hollow-core wood doors accompanied in this exhibition by tracings and oil transfers of the door images, as well as photographs by Hans Namuth of De Kooning working on the series; to May 26

PARIS CONCERT

Salle Pleyel Tel: 33-1 45 61 53 00 Orchestre Philhermonique de Radio France: with conductor Ingo Metzmacher and planist Deszö Ranki perform works by Dusapin, Stravinsky, Webern and Mahler; 8pm; May 10 EXHIBITION Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50

large paintings and sculptures by the Spanish artist; to May 12 ■ SAN FRANCISCO

Miquel Barceló: exhibition of

CONCERT Herbst Theater Tel: 1-415-398-6499 Juilliard String Quartet: perform

works by Mozart, Beethoven and Sessions; 8pm; May 11

■ STOCKHOLM **OPERA**

Kungliga Teatem - Royal Swedish Opera House Tel: 46-8-7914300 Aida: by Verdi. Conducted by Maurizio Barbacinì and performed by the Royal Swedish Onera. Soloists include Anders Lorentzson, Pauletta de Vaughn and Jerker Arvidson; 7pm; May 10, 13

■ VIENNA

CONCERT Musikverein Tel: 43-1-5058681

■ The Met-Orchestra New York: with conductor James Levine perform works by Wagner, R. Strauss, Bartók and Gershwin; 7.30pm; May 11

■ WASHINGTON EXHIBITION

National Museum of American Art Tel: 1-202-357-2700 Contemporary Printmaking in America: Collaborative Prints and Presses: for three decades the collaborative printmaking workshop in the US has had a significant impact on visual art. Ninety works on paper, created by artists in collaboration with more than 35 printers, provide an overview of this development in contemporary art; from May 10 to Aug 4

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441 WORLD SERVICE BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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Financial Times Business Toniant

CNBC:

00,60 Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

Economic Viewpoint · Samuel Brittan

Take away that gloom

The UK economy is doing better than a superficial look at some figures suggests. But it is unlikely to produce a sufficient recovery in the government's standing

A favourite theme of Michael Heseltine, the British deputy prime minister, is that an economic upturn, in which the consumer clearly gains, will provide a powerful political boost to the government of the day and could even get it reelected in spite of heavy odds. I have never been quite able to understand why the party in power is supposed to derive a bonus from the economic growth that occurs naturally in most western economies in most years. I cannot imagine Mr

Heseltine would like an unsustainably rapid boom which would have to be reversed after an election. Even if he did, the financial markets would realise what was happening very quickly and there would be no shortage of Blairite commentators to translate their message to a cynical and suspicious electorate. Even now, too many analysts see weaknesses and

dilemmas that are mainly in the mind's eye. It is true that the flash estimate of firstquarter UK real domestic product shows growth still coking pretty sluggish. Real GDP rose by only 2 per cent over the year before and only 1.6 per cent over the previous quarter at an annualised rate. This compares with estimates of an underlying growth of productive capacity of around 2¹, per cent.

A longer perspective at first makes matters seem even worse. Real GDP is only 8½ per cent above the level it reached at the end of 1990, when the economy was officially regarded as operating around its equilibrium - ie without any gap between actual and sustainable output. This seems to mean that either underlying performance has deteriorated dramatically, or at the least that there remains a large negative gap between actual and potential output. In some people's terminology, the recession has never really ended.

Other analysts worry more about the composition of growth. When the recovery

first started after the last
recession it was led by the
export sector; and manufactur-
ing saw the greatest gains.
But the service sector has
since taken over the lead and
manufacturing has been stag-
nant since last summer. The
main dynamic element in the
economy now comes from con-
sumers. Moreover, unintended
inventory accumulation con-
inues, suggesting that the
growth pause may well con-
inue for some months longer.
as the stock adjustment has
urther to run.
Most of the above concerns
suggest that output is too
sluggish and that policy is too
matricella Vet there is planty

restrictive. Yet there is plenty for those who always look for indications of a revival of inflation. Broad money growth is fairly high, not only in the UK but in most members of the Group of Seven industrialised countries. There has been some increase in commodity and oil prices: and bond markets worldwide have reacted nervously to quite a moderate surge in US growth. But even if one treats these

monetary and financial indicators as no more than amber signals, there is not much case for lower interest rates. Many of the direct effects would be on the consumer sector, which hardly needs stimulation. Another effect - other things being equal - would be to weaken sterling. And it would take a brave person to suggest that the British economy needs still more devaluation.

Yet there is an interpretation of events, which is less slavishly dependent on official figures and which makes much more sense. Home demand is growing at an adequate rate. The element of sluggishness is introduced by the depressed behaviour of continental export markets. It is reasonable to leave some room in the economy so that exports can take up some of the slack when the continental economies recover. There are already signs that Germany may be turning the corner under the influence of repeated if belated

UK performance: an alt	ernative inte	rpretation
Change between Q4 1994 and Q4 1995	Official figures	Alternative interpretation
Real GDP growth	1.9%	2.9%
Productivity growth	0.7%	2.2%
Employment growth (%)	1.2%	0.7%
Employment growth (number)	299,000	183,000
Growth in working population gives	116,000	. 0
Fall in unemployment	183,000	183,000
		Source CEBR
	moving average) expenditure	
6		
	···	
5 - G	DP	.*?•
Domestic	0.1	
- demand	<u> </u>	
4 -4		
Q4 1994 Q1 Source CSO	Q2 1995	Q3 Q4

interest rate reductions. There are, furthermore, plenty of straws in the wind to suggest that UK economic growth is understated by official estimates. The accompanying table is an alternative interpretation provided by the Centre for Economic and Business Research. The centre accepts the unemployment figures at face value. It takes a more pessimistic view of employment growth than the official statistics, but this is more than offset by an optimistic view of productivity growth, based on survey data and on new types of busies or products which official statisticians - through no fault of their own - cannot

easily take into account. The net result on the centre's estimates is that in the course of 1995 UK real GDP rose by nearly 3 per cent instead of the nearly 2 per cent estimated officially. The alternative presentation has the merit of stopping us from beating our breasts about growth when unemploy-

The state of the economy can be best approached through the behaviour of nominal GDP - that is GDP before the statisticians separate it into volume and price changes. Measured at factor cost - which has the effect of removing indirect tax distortions - nominal GDP has been rising since the end of 1994 at an annual rate of 4 per cent or less. That is well below the 5 or 6 per cent consistent with non-inflationary growth. But it would be foolish to use this sure on its own.

ment has been dropping.

It is no use just crying for policymakers to adopt nominal GDP as a philosopher's stone, or it will suffer the discredit that money supply and exchange rate targets have suffered and that inflation targets will surely suffer to. The heads of the two main nonofficial forecasting institutes now say they favour the use of nominal measures as a guideline. It will only make progress if they use it in detail in their own regular analysis.

Nominal GDP is one of a family of measures to be exam-ined in conjunction with each other. Others include total final expenditure, which includes imports; and there is domestic demand, which excludes both imports and exports. Unfortunately the only esti-

mates for these other series are at market prices - rather than at factor cost - and the apparent growth rates they register are therefore too high But the relativities do tell us something. The two other demand measures - total fina expenditure and domestic demand - have been growing at higher rates and have veered less towards deflation than GDP itself. One does not have to be a balance of pay ments fetishist to suggest that the government should leave well alone and leave it to the external side to take up slack. I am sometimes told that New Labour may adopt a nom-inal GDP objective, as if that were something for which I should feel personally grate ful. The approach makes sense only as part of a wider frame work of analysis which was once dubbed "monetarism without mysticism". The approach will fail if it is treated as a way for Labour to smuggle real output targets in by the back door while not realising that the whole point is to show that real output cannot be directly controlled by the Treasury or any other central organ.

The recent announcement by Gordon Brown, the Labour Treasury spokesman, that the reasury would be responsible for real growth arouses suspicions that real growth targets may indeed be the intention. Apart from anything else, the Treasury is not particularly good at stimulating growth except very indirectly insofar as the Treasury is an obstacle to sectional spending lobbies. It would be sad if we had to learn all the lessons of the early 1960s all over again because of the difficulties official statisticians have in esti-mating productivity gains. BOOK REVIEW · Richard Tomkins

ASHES TO ASHES: America's Hundred-Year Cigarette War, The Publica Health And The Unabashed Triumph Of Philip Morris By Richard Kluger Alfred A. Knopf, 807pp, \$35

Damned by denials after age of innocence

Perhaps the greatest tribute the author of this monumental history of the US cigarette industry is that, at the end of its 807 pages, it is impossible to say with certainty whether or not he smokes. Such objectivity is rare on an issue where the level of debate tends to hover

close to the edge of hysteria. Arguably, hysteria is an appropriate reaction to what cigarette manufacturers do. In the US, smoking is the biggest single cause of premature death, taking the lives of an estimated 400,000 people a year. In the wider world, cigarettes have probably killed as many people this century as have fallen in all its wars.

Moderate language, it could be said, is inadequate to convey the necessary sense of outrage over death on such a scale. Yet cigarettes are not the only legally manufactured products that kill. Guns have a bad record, and cars take a terrible toll. Alcohol not only kills when consumed to excess, but causes many social problems. Sugar, salt and fat claim lives.

Richard Kluger asks whether cigarette manufacturers are businesspeople much like any others, purveying a product that turned out to be hazardous long after it had become established in society, and now sorely abused by health fascists and moralising busybodies: or whether they are moral lepers preying on the ignorant, the miserable, the emotionally vulnerable and the genetically susceptible.

It is a question he never quite answers. But ultimately he allows the industry to damn itself, chronicling in painstaking detail its continued denial of the causal connection between smoking and disease long after the evidence had

become irrefutable. Of course, that evidence only

Before that the cigarette companies enjoyed what now seems like an age of innocence, and the first part of the book is a rollicking tale of the rise of one of the world's most successful consumer products.

As the book's subtitle suggests, Philip Morris figures prominently in the story. The company started life as a small tobacconist in London's Bond Street founded by the eponymous Mr Morris in 1847. It opened a New York branch in 1902, but this was bought out by US investors in 1919. From there, the US operation began its climb to supremacy greatly accelerated by its transformation of Marlboro from a low-volume women's cigarette into a male icon.

Hucksterism was rampant in

the industry's early days. The book relates how American Tobacco, the company founded by the legendary Buck Duke, pushed its Lucky Strike brand to the number one slot in the 1920s by claiming that an extra-secret "toasting" process in reality, no different from the normal process - removed throat irritants from the tobacco. It then wrote to doctors asking them to try Lucky Strike and offering them five free cartons if they agreed it was the least abrasive brand on the market. Soon after, its advertisements proclaimed: "20,679 Physicians Say Luckies

Are Less Irritating... At first, such stories entertain as well as inform. But the book takes on a more sombre tone when it reaches 1950, the year in which parallel studies in the US and Britain found the first evidence of a link between smoking and lung cancer. From the start, the industry refused to acknowledge the connection. In the words of one of its allies. a Chicago surgeon, Dr Max Cutler: "Simply because one finds bullfrogs after a rain does not mean it rained bullfrogs."

Soon after the pivotal point of the book is reached in a

ker McComas, then chief executive of Philip Morris Responding to the mounting health fears, he said: "If the industry leaders really believed that cigarettes cause cancer. they would stop making them." It was untrue then and it is untrue today. But it does raise a fundamental question: if the tobacco companies are not going to stop making ciga-rettes of their own accord, just

industry? At present various groups of lawyers are trying to sue the US tobacco companies out of existence, but no one has wrung a penny out of them yet. Some anti-smoking activists argue for prohibition, but it did not work for alcohol, and no government wanting no election would attempt it.

what should be done about the

In the final pages Kluge cannot resist shrugging off his role as historian and looking for a possible solution. With hostility against the industry mounting, he says, it is only a matter of time before a lawsuit succeeds. Instead of fighting to the bitter end, he asks, why do the companies not do themselves and society a favour by eking an accommodation?

Kluger suggests that Conress should give the industry blanket exemption from all personal injury claims in return for a doubling of the tax on cigarettes and a series of measures aimed at discouraging smoking - for example, a phased reduction of tar and nicotine yields, severe restrictions on advertising, and the use of the extra tax yield to

finance "quit clinics". Probably, he says, it is too much to hope that this will ever happen. But it serves as an unusually sane conclusion to an unusually sane book.

Ashes to Ashes is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the

Newcastle and Sunderland scout for new players. Siemens has

Jain the professionals who have already chosen the North East for premier results in business. Nissan, Black & Decker, Sameurig and now Slemens those the North East for its unbestable infrastructure, excelent coveriunications and skilled workforce. League-leaders Tyrie and West Development Corplanation can deliver the support your business meets. Office / factory rents from \$4.50 sq.ft. "No business rates until the year 2006 ." Graphs and financial assistance available. It all starts with this coupert Please return it to Tyrie and Wear Development Corporation, Scotswood House, Newcestle Element Park, Newcastie upon Tyne NE4 TVL or call 0800 838888, fax: 0191 278 2005.

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·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873-5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

it is due

From Mr Mwanyengela Ngali. Sir, I was surprised by Mr Karl Ziegler's remark (Letters, May 2) that the World Bank and International Monetary Fund often waived their demands for "political reasons" and listed Kenya as one of those countries which failed to realise such demands.

I would refer you to the statements made by the IMF's managing director, Mr Michel Camdessus, on his recent visit to Nairobi. At a news conference. Mr Camdessus gave a glowing review of Kenya's economic reforms in the past three years and said the IMF was delighted by a government economic paper the policy framework paper released earlier this

This hardly sounds like a country which had failed to live up to its responsibilities in IMF terms. Indeed, your editorial "An Africa lesson" (May 3) pointed out that the ssful privatisation of Kenya Airways had demonstrated that in an appropriate economic environment "inefficient lossmaking public corporations can be turned into successful ventures, capable of attracting foreign partners".

It is surely to the credit of the Kenya government that such an environment has been created and Mr Ziegler, who apparently campaigns for debt relief for Africa countries, should occasionally give credit where it is due.

Mwanyengela Ngali, high commissioner. Kenya High Commission. 45 Portland Place, London W1N 4AS, UK

In the picture

From Ms Claudia Binaghi. Sir, Were the prices high or low ("Good prices for Impressionists", May 4/5)? Next time please choose a better adjective.

Claudia Binaghi, 71 West 109th Street, Apt 5B. New York, NY 10025, US

Credit where | Limitations of US pollution goal

Sir. The article on tradeable permits of sulphur emissions in the US ("For sale: a licence to pollute", May 5) should not be allowed to disguise two central issues.

First, the US goal is surprisingly limited. When compared on a per capita basis, the US emissions were in 1993 some 15 times the Japanese emissions and some 10 times the west German and Swedish emissions. The US emissions are in fact on east European levels. Present indications are that the Polish and the Czech

be below those of the US within some five years.

Second, the Swedish system of reducing nitrogen oxides is incomparably simpler than the US tradeable permits system and thus, perhaps, of much less interest to academic economists. The Swedish fee means that the energy plant-owner pays a fee to the Swedish Environmental Protection Agency for every ton of nitrogen oxide emitted. Total revenues are redistributed to the plant owners based on the amount of energy produced. Thus, plants with low emissions per unit of energy produced are net receivers while those with high emissions are net payers. Nitrogen oxide emissions were reduced by 50 per cent between

1990 and 1994 What would Shakespeare have said of the US sulphur policy: "Much ado about nothing"?

Mans Lönnroth state secretary. Ministry of Environment, S-103 33 Stockholm,

Trade needs stability, not tinkering

From Mr C.M. Purvis. Sır. Your leader "World trade at risk" (May 7), shows an unhelpful touch of paranoia about developments in world trade. I believe there is currently a bigger threat to the open multilateral trading system from a rush into the ambitious new initiatives proposed in the leader - which would lead to new tensions being generated - than there is from a period of consolidation for the World Trade

It would certainly be counter-productive to begin tinkering, less than three years after the end of the Uruguay Round, with agreements on sensitive issues which negotiators painstakingly worked out at the close of the Round, and on whose hasis economic operators throughout the world have subsequently based their strategies and investment programmes. Trade in textiles is a case in

point: liberalisation is being

progressively implemented according to an agreed timetable, and the acceleration of this by the European Union on a unilateral basis (as your leader proposes) would simply resurrect old conflicts which I

had hoped had been buried once and for all by the Uruguay Round.

A period of stability and reflection may be less exciting than a rush into new initiatives; however, it is also, at this stage in the WTO's development, immeasurably safer for the world trading

C.M. Purvis. director-general. International Rayon and Synthetic Fibres Committee, Avenue E. Van Nieuwenbuyse 4 B-1160 Brussels, Belgium

Consistency key to fund management

the extent that patterns of

From Mr Stuart A Fowler. Sir. Barry Riley, in his profile in the Pension Fund Investment Survey of Gary Brinson ("US manager with balance". May 2), shows a keen ear for the sound bite, picking up Brinson's comment about being underweight in the overvalued but outperforming US stockmarket: "being too early is indistinguishable from being wrong".

Investment managers do not help their own cause when, as they often do, they pretend that they are strong enough to stand up to statistically unsound tests of their performance.

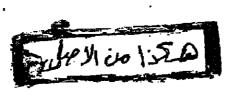
Absolute and relative market returns are mostly, like individual stock returns random and unpredictable. To

return behaviour can be identified and exploited within this context of largely efficient international markets, the ability of an active manager to do so will only be revealed by a long series of decisions over time. An active approach that can keep the proportion of errors to 45 per cent of all decisions could be a huge winner even though the absolute number of errors is high. The pension trustee needs to judge the approach, not the individual decision.

It is quite feasible that a fund could appoint two managers with very different approaches: one driven by short-term price trends (overweight in the US) and one

(underweight in the US). Provided there is enough evidence of short-term trend persistence in international market returns, the trend follower may have a good method and being overweight the US is consistent with it. If there is enough evidence of longer term mean reversion in market returns, the value investor may also have a good approach and being underweight the US is consistent with it. Consistency with a method that appears to be a right, even u not exclusively right, is the key.

Stuart A. Fowler, Dynamic Investment Solutions, 69 Doneraile Street, London SW6 6EW, UK



Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday May 9 1996

The City sans Emu

The bond markets are convinced that European monetary union (Emu) will go ahead despite the likelihood that important countries at the core will fail to meet the Maastricht convergence criteria. They are equally convinced that Britain will not be in at the outset. That belief will have been reinforced by the reservations being expressed by the governor of the Bank of England, Mr Eddie George. The City of London will thus be obliged to conduct its own cost-benefit analysis of life on the outside. It will probably conclude, rightly, that the risks are greatly exaggerated, only to be excoriated for its complacency by the pro-European lobby.

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Any analysis is dogged at the outset by the lack of UK data distinguishing between international and domestic financial business. Figures for the City's various activities are also of mixed quality. And as the recent City Research Project conducted by the London Business School has shown, there is a serious lack of data on the net revenues or value added from interbank business in foreign exchange, which matters greatly in relation to Emu.

The job numbers provide a misleading indication of what is at stake. In 1991 more than 300,000 people were employed in banking, insurance and other financial services in London. This figure rises to more than 600,000 if law, accountancy and other business services are included. Clearly the 33 per cent jobs growth over the previous decade was not all in international business. But the numbers need to be seen in con-

Trading concentration

The irrevocable fixing of exchange rates, followed by the introduction of the Euro, will ultimately lead to a concentration in the pattern of trading within European markets, while making many instruments and markets obsolete. The question is what share of the subsequent dealings in business denominated in euros London would retain. The French and Germans might well wish, in establishing the infrastructure for a single monetary policy, to exclude outsiders from participation in euro-related

markets wherever possible. Yet the open market operations of the European central bank are unlikely to be particularly signifiment system, on the other hand, would make it more costly for banks to operate out of London. It is impossible to tell, at this early stage, how far London would be able to muscle in on the new single money market in euros the related derivatives trade. money market in euros and

Offshore incentive

That said, any move to impose reserve requirements or other restrictions on participants in the core would act as a tax on banks, which would then have an incentive to go offshore to London. Nor should it be forgotten that any protectionist move to bolster Paris Or Frankfurt would penalise those continental banks which have just laid out huge sums in acquiring British merchant banks in Lon-

Yet in all this, it is important to recognise that the contribution of foreign exchange dealing, in terms of jobs and value added, is unlikely to very large in relation to the overall picture. Foreign exchange is a great British growth industry, but a cottage industry for all that. As for the European government bond market, this is hardly exciting business when every country is seeking to reduce budget deficits and related borrowings. The City's real international strength has anyway been in unofficial markets. Most of its fastest growing businesses such as cross-border corporate finance. international fund management and derivatives trading will be unfouched by Emu.

The areas under threat from Emu are few and unimportant, especially when seen in the context of the wider economy. More likely threats to City jobs might come from increased global competition, hostile fiscal or regula tory change, or an erosion of the City's skills base. There is anyway a tendency in this debate to forget that in a flexible market economy resources can be redeployed to good effect in other sectors. There are good and bad arguments for participation in Emu. Invoking the supposed vulnerability of the City is one of the worst.

Two cheers for South Africa

celebrate. Yesterday's agreement on the new constitution, embodying the democratic principles which the country's main parties endorsed two-and-a-half years ago, is a remarkable achievement. A society which for 350 years was based on racial discrimination and white minority rule has painstakingly negotiated a document which attempts to strike a balance between majority rule and minor-

ity and individual rights.
Sceptics may say that this has been tried before in Africa and failed. But never in the continent's post-independence history has a constitution been so carefully crafted, and so assiduously protected by a series of checks and balances, which range from efforts to decentralise government to curbs on the power of the state through an entrenched justiciable bill of rights.

Yet in some respects it is dangerously overambitious. Few constitutions go so far in their attempts to secure citizens' rights, such as the right to a job, to food, to shelter, to healthcare and social services. Since such substantive rights cannot be guaranteed, the constitution as a whole may fall

into disrepute. The constitutional negotiations also fudged the three issues which had held up agreement: property rights, single-language schooling, and the right of employers to lock out strikers. All three leave big problems unresolved.

Still unhappy

The National party has succeeded in ensuring that there can be schools in which Afrikaans will be the main medium of instruction. In return, it has grudgingly accepted that property rights are adequately protected in the bill of rights, which guarantees owners against expropriation without compensation. Mr F.W. de Klerk, the NP leader and deputy president, is obviously still unhappy. He hinted that his party may withdraw from the government of national unity. That has under-standably unsettled the markets.

Celebrations should be muted for another reason. Local government elections have had to be postponed in the province of

Kwazuhi-Natal because of violence between President Nelson Mandela's African National Congress and Chief Mangosuthu Buthelezi's Inkatha Freedom party. The IFP has stayed aloof, boycotting the constitutional debata. It still has the capacity to destabilise a large part of the country.

Another worry is the strained relationship between the ANC and the trade unions, its main partners in the coalition that won the 1994 elections. The unions called a one-day strike over legislation giving employers the right to lock out strikers. The final version of the constitution accepts that any change to the legislation must be with the support of the business community. Judging by the unions' critical response yester-day, the battle is far from over.

Rising crime The list of problems besetting

the ANC does not end here. Rising growth, failure to deliver on promises to cut the country's huge housing backlog and illegal immigration from impoverished neigh-bours have all contributed to declining business confidence.

Altogether it is a formidable list of problems for an administration that took office two years ago as a government of national unity, but which is no longer unified. Inkatha has distanced itself from government, although Chief Buthelezi retains his cabinet place. The once all-powerful National party is increasingly alienated, unable to attract new blood, or to extend its electoral hase much beyond its traditional white support. The result is that the country lacks an effective national opposition, as important an ingredient of democracy as the constitution itself.

The markets have already given their verdict on this unsatisfactory state of affairs. The rand has plummeted from 3.65 to the dollar in February this year to a low of 4.45, and it slid again yesterday. While South Africa can pride itself on what it has achieved, the hardest part is yet to come: imple menting the constitution, respect ing its principles, and ensuring sustained economic growth with

equity for all the population.

Drugs giant on the sidelines

Much of the pharmaceuticals industry is restructuring, but Roche is playing down talk of acquisitions, its top executives tell Daniel Green

t is party time at Roche, the Swiss drugs company. Roche executives have devoted this year to celebrating its centenary, complete with commemorative books, concerts and special dividends for shareholders. The festive mood, however, is not reflected in the stock markets, with

the company's share price under performing the pharmaceuticals sector since the middle of last year. The profitability of Roche, Europe's third largest company by market capitalisation, remains the envy of rivals. But investors fear that it may be starting to lose its pre-eminent position as competitors merge and as its rate of profit

When Mr Fritz Gerber, chairman since 1978, addresses shareholders at next month's annual meeting, the company will almost have fallen out the top ten in the global pharmaceuticals league table by sales. It was number five in 1993.

It is also about to lose its position as Switzerland's biggest drugs producer for the first time in living memory - to Novartis, the merged company to be formed by Ciba and Sandoz, its Basle rivals,

The company achieved its market capitalisation through extraordinary growth in earnings per share, which averaged 26 per cent a year over the last five years. But much of the growth has been attributable to cost-cutting rather than sales growth which has been 22 per cent in total between 1991 and 1995.

Analysts forecast that growth in earnings per share will fall to 14-16 per cent for 1996 to 1998 - still high for the sector but no longer exceptional. In anticipation of this slowdown, a decade of extraordinary share price growth has come to an end. Between 1986 and mid-1995 the value of Roche non-voting shares the most widely held - increased nine-fold, more than twice as much as the world pharmaceuticals sector as a whole. Since then, the shares have stagnated - underperforming the rest of the drugs sector by 10 per cent in the last nine months.

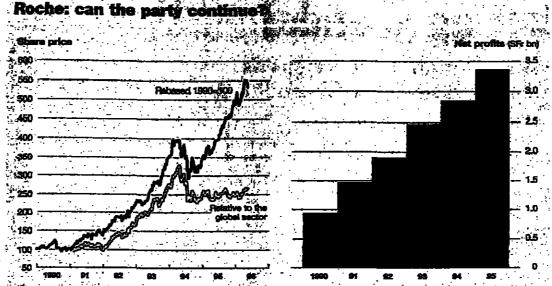
Roche has a history of growth by acquisition - it has spent SFR15bn in the past seven years including \$5.6bn on Syntex, a Californian drug company in late 1994. Since the share price began to underperform, there has been a series of rumours that it was about to bid for a mid-sized company in its sector. Such a deal would allow Roche's management to boost earnings growth by cutting overlapping parts of the businesses and adding the acquired company's products to those sold by its own salesforces.

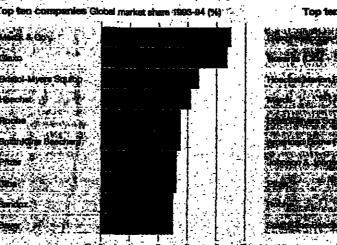
Top of the speculators' list of likely targets are Zeneca of the UK, and US commanies Schering-Plou and Warner-Lambert. The first two especially would bring fast-growing

new drugs to Roche's portfolio.
"Mid-sized" is a relative term in
the drugs sector: buying any of these companies would break takeover records. Zeneca's market value is \$20bn, Schering-Plough's \$21bn and Warner-Lambert's \$15bn. The last few takeover deals in the sector suggest that a premium of 30 per cent to 50 per cent is needed to

There is no doubt Roche could afford such sums. Its market capitalisation is more than \$75bn, putting it among the top three global

But Mr Gerber believes the world's markets are wrong to believe that Roche must buy something big. "It's no secret that we follow the market [in drug companies] to see who might be the best fit with us, but we do not have a fetish for market share," he says.





"The size of a pharmaceuticals company matters only as far as controlling the cost base. We don't need to be in the top five or 10 to be effec-

Such sentiments run contrary to the mood of much of the industry. Other chief executives, notably Sir Richard Sykes at the UK's Glaxo Wellcome, have made no secret of their willingness to make further acquisitions if they see their rivals

buying market share. But Mr Franz Humer, the cigarchomping head of the pharmaceuticals division for almost 18 months, is even more defensive than Mr Gerber. He says there is no reason for Roche to make an acquisition.

Earnings growth will pick up again thanks to new drugs such as Cellcept, which helps to prevent transplanted organs from being rejected by the body, and Invirase,

tion of the Aids virus. Analysts at London stockbroker James Capel forecast these two drugs will contribute SFrlhn a year to Roche's annual revenues of SFr14.7bn.

Roche's leadership is careful not to rule out acquisitions altogether. Under Mr Henri Meier, chief financial officer since 1985, the company has amassed cash and investments of about SFr15bn (£8bn) - SFr5.6bn

But Mr Meier says: "Hostile bids are not our style. We don't like the fight." Nor is Roche interested in diversifying into drug distribution, a route taken by some rivals, such as Merck and Eli Lilly of the US and SmithKline Beecham of the UK. Mr Gerber says that the drugs manufacturing business is already diversified enough to spread risk; antibiotics, for example, are a differ-ent business from heart drugs. Both

he and Mr Humer say that any

But a flow of sorts, nonetheless Lone MEPs operate almost as

outlaws in the parliament since group status brings with it a rath of privileges. Without the KNG, Sir James, and the other 17, would not be able to introduce resolutions for

emergency debate, call for roll call

votes, put urgent questions to the Commission and the Council or

wrap up debates. So how far pright

medicines used in hospitals. Potential takeover targets are subject to a screening process to limit the risk of a deal. For example, fear of litigation has turned Roche away from female health

acquisitions would probably not be

in areas where the company is

already very strong, principally

oral contraceptives. And companies with portfolios of old drugs are less attractive because of the risk of heavy competition when patents expire. Roche bought Syntex for its drugs in research, not for Naproxen, the arthritis tablet that made Syntex's fortune in the

areas, such as breast implants and

1980s, says Mr Meier.
Mr Meier also regards bigger deals as bigger risks. Spending \$20bn-\$30hn - the kind of money needed to buy a Zeneca or Schering-Plough - would be very risky. "I have never done an acquisition

that, if it failed, would jeopardise the existence of the company," adds Mr Gerber.

Furthermore, there is nothing wrong with accumulating cash, says Mr Meier. "Our aim is to have a cost of financing of less than 2 per cent, and we've never been able to spend as much as we could borrow

Mr Meier likes to be a fund manager. A former Handelsbank executive board member and author of a book on Swiss capital markets, he cannot conceal his pride in the performance of the fund he manages. We've beaten every index we can find," he says, adding that any acquisition would have to meet the same investment criteria he applies to the cash.

London-based analysts at Lehman Brothers, the stockbroker, calculate that has earned a better return for Roche in managing this capital drugs, vitamins and fine chemicals.

et Mr Meier concedes that the money spent on Syntex has not yet brought the return it would have earned if the money had been left in his hands to invest elsewhere. Indeed, with the benefit of hindsight, Roche's last few acquisitions stand out for their boldness in commercial terms rather than for the quality of their financial returns.

The Syntex deal was the first in a series of mergers and acquisitions in the industry. Roche was also the first pharmaceutical group to take a multibillion dollar stake in a bio technology company when it paid \$2.1bn for 60 per cent of Genentech in 1990. Today Genentech barely makes a profit. And in 1991 Roche led the field by

spending \$300m on a technology that amplifies very small samples of genetic material and is used for diagnosing disease. Since such acquisitions bolster the group's research and development rather than lead directly to products, the return on the investment is hard to

Mr Gerber remains enthusiastic about the possibility of adventurous deals. He says that rather than launching a bid, Roche could consider large-scale asset swaps with rival drugs companies, something not attempted in the restructuring of the world pharmaceutical industry in recent years. He does not elaborate, but Roche has busines in vitamins and specialist chemicals that could rationally be separated from the bigger prescription medicines operation. Mr Gerber all but rules out merg

ers such as that at Sandoz and Ciba. for them to get rid of non-core busi nesses. Roche did that years ago, says one senior Roche executive.

Roche executives like to give the impression that their future is in their hands. Their strategy, they say, is unaffected either by the ferocious restructuring elsewhere or by short-term underperformance in their shares. As Mr Humer puts it: "We like to set the benchmarks."

They have one great advantage over their counterparts at rival companies. A majority of voting shares in Roche is held by the descendants of Fritz Hoffman, who founded the business in 1896.

"We make every effort not to disappoint the analysts," says Mr Ger-ber. "But that's their world, not ours. We have the luxury of family

Whatever Roche does next, it will probably not have been determined by equity analysts or worried inves-

OBSERVER

Laugh? We nearly did

Hans Tletmeyer, the formidable president of the Bundesbank, was in jocular mood the other night, perhaps feeling the need to counterbalance a dry-as-dust speech by Alan Greenspan, head of the US Federal Reserve.

The occasion was Tuesday's annual banking dinner in Frankfirt. Tietmeyer waded in with an apocryphal story about a computer which the European Monetary Institute - forerunner of the planned European central bank. - had been forced to take out of When asked which central

banker should be president of the ECB, the computer answered: 'Alan Greenspan'. The computer: argued that Greenspan had experience of a large and extended currency area, and first-hand knowledge of conducting monetary policy in many different states. But it was the third reason

which tipped the scales against the computer. It said that Greensnan was further qualified because monetary union was intended to foster political tmion in Europe. A central banker from the US, whose states have been long united; would best symbolise this 🕝

That, said Tiermeyer, was why Britain had requested that the computer be removed. Ho ho ho.

Tietmeyer raised another chuckle from the assembled German and foreign bankers with a tongue in-cheek elaboration of why the ECB needed the monetary instruments so favoured by the Bundesbank monetary targeting had worked well in Switzerland, minimum reserve regularments were doing fine in Italy and the benefits of discount credit could be studied in Austria. "The European central bank does not have to be oriented to Germany; one can find positive results all over Europe." Emp, like communis stimulates the production of jokes.

Slim pickings Many would love to see Sir James Goldsmith lose his one and only parliamentary power base his anti-federalist group in the European parliament. But recent

press suggestions that the Europe of Nations Group is about to dislotegrate may be premature. The group lost one of its members - French MEP Philippe Martin - two months ago, reducing its numbers to 18, the minimum required to qualify as a group in the European parliament if the members come from three member states. MEPs from Demmark, the Netherlands and France belong to

the ENG. Despite this narrow margin, ENG members are

a devastating blow.

showing no signs of panic, they wouldn't see loss of group status as

his enemies go to ensure Sir. James's numbers drop helow the obligatory 18? Watt's up in India?

If India's protracted election was not enough to tire New Delinites of politicians, the Indian Express newspaper has found another good reason, as temperatures creen above 40 degrees and Delhi's annual power cut season begins. Just days after Delai's electricity

authorities began two hour power cuts everywhere in Delhi — except the splendid Lutyens hungalowed. VIP belt, where most MPs five -. comes news that several members of the outgoing partiament have failed to pay their electricity bills. The total cutstanding debt is equivalent to \$82,552, with top defaulter being Rum Vibs Paswan a Janata Dal MP from Bihar, who owes a cool \$27,352. The Express reports the New Delhi Municipal Corporation being in despair having offered MPs any number of sticks and carrots to persuade them to pay their tinge bills.

All to no avail. Their excuse? Well, it's their servants, fault of course. Paswan has 13 of them. living at his residence, other MPs have more. And they do insist on leaving the lights on.

Slack timetable

Hugh Arbuthmott, Britain's amhassader in Copenhagen, was called on to exercise diplomacy in the cause of Anglo-Danish trade this week. He'd assembled the cream of Danish business to a dinner to meet Anthony Nelson, the UK trade minister. Unfortunately, the vagarles of British politics called for the minister's presence in London, to keep the government from defeat, in the House of Commons.

"It's a case of Hamlet without the prince," the ambassador put it apologetically. The Danes took it well; only one wondered aloud about the British system of government, which prevents ministers from doing their job. "What a way to run a railway."

Squeaking :

It seems there's a move to start using management consultants instead of rats in laboratory experiments. Lati technicians prefer the consultants to rate because there's no danger that they will form a close relationship: with them.

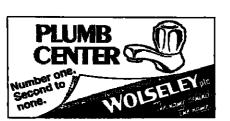
Ginoncial Times

Another tyre company

Another tyre company issess its prospectos to day, with which Mr: Hirani S. Maxim is closely associated as Director and technical adviser. The prospectus states that the tyre is: in no way an infringement of the Dunlop patent. Mr Maxim states in the prospectus that he considers the balon the most suitable tyre for horseless carriages, a branch of industry in which he is specially interested, and the company has acquired three of his own patents: [US-born Maxim was an inventor, who in the 1880s deseloped the first fully outomail machine gui. He took British citizenship in 1901].

50 years ago Canadian Pacific Railway

Given the urgent need for maximum commercial activity, Mr. D.C. Coleman, the chairman. does not expect that the decline in traffic experienced so far this year by the Canadian Pacific Rallway will be carried to say drastic lengths in the immediate future. He is very concerned, on the other hand, at the tendency ing other hand, at the tendency for operating costs to overhand gross receipts. Lest year, only 11 cents out of every dollar was left after meeting working expenses, against 22 cents after 1918, while the upward pressure on both wages and raw materials pessists. AND THE STATE OF T



Thursday May 9 1996



English soccer organisers Arch hit by ticketing scandal

The Football Association, which runs English soccer, has been rocked by a ticket scandal just weeks before launching the European championships - the big-gest sporting event in the UK for

Mr Trevor Phillips, the FA's commercial director, has ting ticket sales for Euro 96.

Mr Phillips oversaw the FA's organisation of the champion-

ships, but officials insisted last night that his unexpected depar-ture would not affect the tourna-

Mr Glen Kirton, the FA's director of Euro 96, said that the FA was now acting with the police. "Jointly, and with the help of the official Euro 96 ticket distributors, we are looking into any abuses and taking appropriate action in the interests of security," he also said.

The FA said a covert operation similar to the one that it mounts at FA Cup finals had been planned in connection with Euro 96 tickets. "Following discussions with the police, we're now acting with them," Mr Kirton said. The investigation is said to be focusing on corporate hospitality tickets, not tickets sold to the public.

By Michael Lindemann in Bonn

Mr Jacques Chirac, the French

president, will tomorrow reassure Mr Helmut Kohl, the German

chancellor, that planned cuts in

weapons procurement will not

The two leaders will meet in

Bonn at a working dinner in an

attempt to ease strains over the

impact of French defence

Next Monday the French cabi-

net is to due to endorse a five

year military procurement programme for 1997-2002, amid fears

that cuts will bear heavily on

joint projects, particularly in

Paris has been reassuring Bonn

in the wake of complaints from

Mr Volker Rühe. Germany's

defence minister, that he was not

adequately consulted before Mr

Chirac announced in February he

aircraft manufacturers to nomi-

nate one engine maker for each

"Working together, Pratt &

Whitney and GE can bring the

talents of both companies to this

joint venture to give our airline

helicopters, with Germany.

Continued from Page 1

new aircraft.

endanger military co-operation.

and David Buchan in Paris

Association director resigns as police probe sales for Euro 96

the FA for four years, is believed the tickets through Mr Phillips. to be overseas and was not available for comment.

His departure from the FA follows police raids in London on April 30, including the offices of a company in which former England cricket captain Bob Willis is involved.

Scotland Yard's football intelligence unit raided the premises of National Sporting Club, a hospitality and social events company, near Piccadilly, and arrested a woman. Mr Willis is a non-executive chairman and his brother David is a director of the com-pany, which has no connection with a similarly named casino.

Raids were also carried out on 12 other premises, mainly ticket outlets in London, with a further 17 arrests. Documents were also

The raids uncovered information regarding the allocation of Euro 96 tickets which the police believe to be in breach of the FA's rules. The police have also been told that Mr Phillips authorised the allocation of corporate hospitality tickets to several com-

Mr David Willis claimed last night that the company had got

Chirac to reassure Kohl over

planned French weapons cuts

tion, among other defence cuts. At the time, Mr Chirac prom-

ised that his reforms would not

damage France's co-operation

with Germany in their joint Eurocorps, nor its involvement in

the Tiger and NH-90 helicopter

speculation in Paris that France

will reduce its orders for Tigers

and NH-90s in its 1997-2002 pro-

gramme. This has led to German

demands for the programmes to be "rebalanced" in Germany's

Mr Jean-Francois Bigay, president of Eurocopter, which is 70 per cent owned by Aérospatiale

and 30 per cent by Daimler-Benz

Aerospace (Dasa), confirmed last

week that the German authori-

ties had requested a recalculation

According to German press

reports, Germany will take 212

Tigers while France, which had

customers the best possible value," Mr Karl Krapek, presi-

Airbus Industrie, the European

manufacturing consortium, has

already nominated GE as the

dent of Pratt & Whitney, said.

of workshares

US groups team up for 'super-jumbo'

extended A340.

But there has been growing

programmes with Bonn.

"If it is made known to you by one of the senior directors at the FA that a very small number of selected organisations may be able to access authorised tickets directly, then naturally that is the most sensible route to go," he

Mr Willis said that he thought he had been dealing "with the absolute pukka authorities".

The National Sporting Club is waiting to hear whether it will be granted the tickets it obtained.
"We do know that there are a number of companies - probably 20 to 30 - in the same boat as us," Mr Willis said.

Two other ticket companies, Sportsworld and Keith Prowse, said yesterday that they thought they had bought the exclusive hospitality rights to Euro 96 from the FA. Mr Willis said that Keith Prowse "might reasonably ask the FA for some explanation" as to why tickets had been sold to other hospitality companies.

Separately, the FA announced yesterday that ticket sales for Euro 96 had reached almost 1.2m, representing 85 per cent of the tickets available.

planned to buy 215, will now our-

chase less than 100. The Tiger is

a purely Franco-German project,

while the NH-90 programme

The Germans are also con

cerned that France has said it

does not have enough money to

go ahead with the Future Large

Aircraft, a new generation of mil-

itary transport aeroplane which the two allies had been planning

to develop and a project they are

also hoping to persuade Britain

French officials say that while

France's new professional army will be nearly 40 per cent smaller

than the current force, it should

have almost as much firepower

as the present force. But the new

1997-2002 military programme

places a tighter overall cap on

Mr Chirac saw the Tiger and

NH-90 in action last Friday when

he attended French army man-

oeuvres in southern France.

involves other Nato allies.

Deluxe joins Big Mac in US

For years, McDonald's has used the clownish figure of Ronald McDonald to draw youthful cus-

1967, McDonald's is today taking Arch Deluxe.

On the face of it, the new burger, named after the McDonald's golden arches motif, seems much

like any other. But McDonald's researchers at the company's Hamburger University in Oak Brook, Illinois, have been working for months to come up with a burger formula that will tempt adults away from the rival Burger King and Wen-

although McDonald's dominates the US burger market by virtue of its sheer size, consumer surveys consistently show that adults rank the rival Burger King and Wendy's chains higher in terms of food quality.

made appearance, leaf lettuce will be used instead of shredded lettuce, which looks processed. A cocktail of other toppings will include Dijon and stone-ground mustards and mayonnaise - as if the refrigerator had just been raided – and the whole will be enclosed in a new kind of potato

ald's and Burger King had prevously been fighting the burger war by competing on price.

Burger King brushed off the

nove. "Clearly, the competiton is reacting to our success," it

Wendy's was equally dismissive. "The end result is down to taste," it said. "We are not overly concerned."

burger war

tomers to its restaurants. Now, Ronald is growing up: he aiming for the adult market.

In what seems likely to be the company's biggest fanfare since the launch of the Big Mac in over New York's Radio City Music Hall to unveil its latest weapon in the US burger wars -a quarter-pounder called the

Wall Street analysts say that

Burger King, a subsidiary of Britain's Grand Metropolitan, has been doing particularly well with its Whopper, a burger that is grilled instead of fried.

Now, McDonald's is fighting back by going up-market with its Arch Deluxe. The burger aims to

tap the US appetite for the "blt" formula by topping the burger with peppered bacon, lettuce and

To give the burger a home-

flour bun. At first, the burger will only be available in North America. Prices will vary between geographical markets, but it is expected to sell at \$3.19 in New York. Without the optional bacon, it will sell at \$2.99.

same price as a Big Mac. Ms Stacy Jamar, an analyst at Oppenheimer & Co, said McDon-

"Now they are pushing it to a my burger tastes better than your burger' kind of thing," she

maker for its own, Airbus has said it expects the A3XX to be powered by existing The stretched A340 will carry FT WEATHER GUIDE

Airbus has also said it wants to

begin work by the end of next

year on the A3XX, a new 550-seat

aircraft to compete with the Boe

ing 747-600.

Rumours that the US Federal Trade

Commission is minded to block Time Warner's \$7.5bn takeover of Turner Broadcasting System are hardly surprising. A simple combination of Time Warner and Turner might just pass muster. The snag is that Tele-Communications Inc (TCI), the largest US cable operator, will end up with a 9 per cent stake in the enlarged Time Warner in exchange for its Turner shares. If Time Warner and TCI then operated as a single bloc, their joint dominance of both cable channels and networks would allow them to dictate terms in US pay-television. Rival channels and networks could get raw deals.

TCI's pledge to place its shares in a trust, controlled by Mr Gerald Levin, Time Warner's boss, is fooling nobody. Though TCI would not have votes, its economic interests and Time Warner's would still be aligned. Nor is there any love lost between Washington and Mr John Malone, TCI's chief executive who was once likened by Vice President Al Gore to Darth Vader, the evil Star Wars genius.

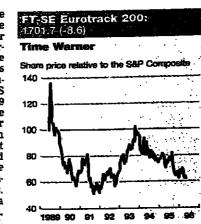
That said, it should be possible to alter the deal to meet Washington's concerns. The best option would be to give Mr Malone cable channels for his Turner shares; TCI and Time Warner would then have no economic interests in common. An alternative would be for Time Warner to sell its cable networks; US West, the telecoms group which already has a minority stake, is clamouring to buy them. Whether Mr Levin, who has staked his credibility on the logic of combining programming and distribution, could stomach the consequent loss of face is another matter.

Ecco/Adia

The merger of Ecco of France and Adia of Switzerland looks like a good match for the personnel services companies. Both have international reach. but their relative strengths are different. The deal will put the merged entity on a par with world market leader Manpower, giving it extra clout in the expanding global market for personnel services, worth around \$80bn last year.

This is the real rationale for the deal, rather than the relatively paltry cost savings, estimated at SFr20m annually and a one-off tax break. Large multi-national companies can outsource their personnel departments to such service providers, which offer not only temporary and permanent placements but also training evaluation and even payroll processing. The new company's ability to attract such business will certainly be enhanced by

THE LEX COLUMN Time out



its broader geographic presence. And given the trend towards flexible working, it appears the right time to add some extra muscle.

But while the strategy looks sound, there is room for doubt about the execution. The chairmen of Ecco and Adia will take it in turns to head up the new company. Mr Philippe Forlel-Destezet of Ecco will do the job for a year before handing over to Mr Klaus Jacobs of Adia. This solution looks highly unsatisfactory. There are important strategic decisions to be made, such as how to deal with branding, particularly in markets where both brands are strong. Even if the arrangement remains amicable, it is hardly likely to forge a common vision for the new company. And as with all relay races, the danger is that someone might drop the baton.

US/UK power

The US power companies' international buying spree – notably in Britain – is great news for sharehold-ers in the targets. The buyers' share-holders, by contrast, should be asking some tough questions. Bids are fun for utilities' managements and they are also in fashion - both are good grounds for doubting whether they make sense. Shareholders should start by dismissing airy talk of globalisation; in an industry whose product is consumed locally, this is waffle. Nor is there much in the proposition that US utilities, facing deregulation, need experience of markets which have already been opened to competition. Buying in this sort of expertise may be a good idea but there is no need to buy entire companies.

A more hard-nosed argument is that US utilities can borrow cheaply, the proceeds can then be used to generate

higher returns abroad than utilitie can earn under a highly restrictive regulatory straitjacket at home. At first sight this notion sounds seduc-tive - it may, for instance, be an easy way to enhance earnings - but it is flawed. For one thing, non-US regula-tory systems may allow returns that beat the cost of capital for a time, but they will not do so for ever. For another, even if cash invested abroad can deliver impressive returns, it is still more efficient to hand the cash back to shareholders and let them do the investing. Using it to buy an entire company only makes sense if the buyer can credibly squeeze enough additional value from the business to offset the need to pay a premium for control. There has been precious little evidence of that in practice.

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J. Sainsbury

Sainsbury's decision to introduce customer loyalty cards may appear to have been made in a rather "oh, all'right then" spirit. But the manage ment's willingness to admit to a change of heart at least counters impressions of complacency. Still, the fact remains that the group has been slow to react to innovations by rivals - Tesco and Safeway already operate card schemes. There is also a worry that the loyalty card will add to Sainsbury's cost base and spark greater price competition, ultimately leading to a further margin erosion.

There are some bright spots. Home base has shown an impressive ability to buck the dire do-it-yourself market, in the light of which the decision to bring forward the conversion of Texas stores to its Homebase format looks sensible, despite the extra cost. The group's growth prospects in the US are another comfort. Shaw's is firing on all cylinders, and this may encourage management to press ahead with a buy-out of the majority of Giant Food or explore other acquisitions.

But there is no hiding the fact that the wheels on Sainsbury's supermarket trolley are still looking wobbly. Like-for-like sales growth lagged at a paltry 2.6 per cent last year, and aggressive offers since the financial year-end have only edged that up to 3 per cent. Sainsbury could well be on the brink of a turnaround, but it still has everything to prove. And even after its dire market performance last year, its shares are still on a premium to the sector. Better margins may not be enough to justify this, given its

> Additional Lex comment on Whithread, Page 23

appears as a matter of record only March 1996

air europe

MARKET CAPITAL

wishes to congratulate Air Europe S.p.A., Italy on the successful investment of

Lit. 14,400,000,000

SO.PA.F.

(Societa Partecipazioni Finanziarie S.p.A.)

Market Capital Corporation arranged the transaction and acted as financial advisors

Market Capital Corporation has also invested in Air Europe's equity



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Representative Offices:

Madrid

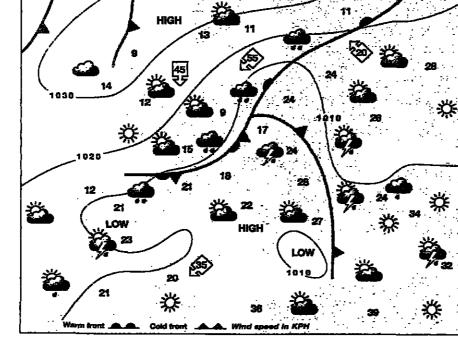
Lisbon

Europe today

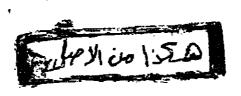
High pressure will bring settled conditions with widespread sunshine over most of north-western Europe. Southern France will be cool with a fresh northerly wind. An area of low pressure will cause heavy cloud and rain over a wide area, from the Pyrenees through to the western Alps, across northern Germany and into southern Scandinavia. Thundery sho will develop along the eastern edge of the rain band. The Iberian peninsula will be unsettled, with cloud and rain on the north coast. Eastern and south-eastern Europe will be warm and summery with some thundery showers, especially over the

Five-day forecast The east and south-east will remain warm

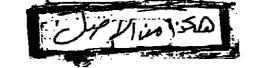
with thundery showers. Some of the warm air will be drawn towards the north-west as low pressure moves from the Alps towards the Balkans, and thundery showers and sunny spells will occur near the low pressure area. Strong easterly winds will develop over southern Scandinavla.



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Milan





COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1996

Thursday May 9 1996

LEGAL DEFINITIONS

advocacy n. 1 sickness caused by excessive consumption of Dutch eggyolk liqueur 2 skill of pleading a case orally in court 3 support for a cause, see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw LAWYERS FOR BUSINESS

Buoyant

IN BRIEF

Scania falls 21% despite sales rise

Scania, the Swedish truckmaker floated in New York and Stockholm last month, blamed adverse currency effects and increased costs linked to the introduction of its new model range for a 21 per cent fall in first-quarter profits. Pre-tax profits slid to SKr1.1bn (\$161m) despite increased vehicle sales, barely matching market expectations. Page 18

Hochtief up at DM137m for year

Hochtief, the leading German construction group, reported a 7 per cent improvement in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war crisis" in the German construction market. It said it was "optimistic" about results for the current year. Page 19

Schering sees 'double-digit' growth Schering, the Berlin-based pharmaceuticals company, revealed mixed fortunes in product sales in the first quarter, but a good profits performance as net earnings rose 16 per cent from DM113m to DM131m (\$86.1m). Page 19

SA banks warn despite progress First National Bank and Nedcor, the South African banking and financial services groups, reported solid growth for the six months ended March 31. However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for

credit and the prospect of higher costs and interest rates in the wake of the recent sharp falls in the

Westpac divests Victoria operations The shake-out in Australia's banking sector took a fresh twist when Westpac, one of the four big commercial banks, sold the Victorian operations of its recently acquired Challenge Bank subsidiary to

Bank of Melbourne. Page 20 Berkshire lifts size of offer

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Tires and

Land of France And Control (1992)

Berkshire Hathaway, the insurance and investment group chaired by Mr Warren Buffett, has increased the size of its B-share offer for the third time, in an attempt to meet all demand for the shares. The issue, which was due to be priced after the New York market closed last night, was put up from 350,000 to 450,000 shares. Page 21

Sony charts course for success Sony, the consumer electronics group which cele-brated its 50th anniversary on Tuesday, is beginming to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different business environment. Page 22

Seinsbury's 22-year run ends

J. Sainsbury announced its first fall in underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card. Page 28

Whitbroad plans further spendin Whitbread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this among the best in its sector. Page 28

Companies in this issue

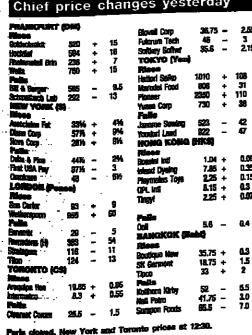
17 News Corporation America Online 22 Northern Telecom Amploex Artington Securities Ostrich Farming Corp BASE Perwala Terengganu **BMG** Berkshire Hathewa Power Pacific Rabobank Direct IPO Reflence Industries E-Trade Group Royal Bank Scotland EMI Music 17 Sainsbury (J) Ericsson Eurotunnel 17 Scania 8 Scor-Net Hochdef Sony Music Hoechet Spring St Brewing Tambeng Timeh Home Order TV Tate & Lyle James Hardie Warner Music 6 Westarmers 12 Westpec KHD 17 Winterthu 22 Wit Capita Mobil

Market Statistics

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Chief price changes yesterday



Ericsson rise dismisses mobile fears

By Hugh Carnegy in Stockholm

Ericsson, the Swedish telecommunications group, shrugged off worries about prospects for the world's mobile telephone industry by reporting a 28 per cent rise in profits in the first three months and its 18th consecutive quarterly increase in

mobile telephony equipment said pre-tax profits rose from SKrl.2bn at the same stage last year to SKr1.55bn (\$227m), mostly because of a 36 per cent jump in

division, the largest in the group. Earnings per share rose from SKr0.92 to SKr1.09.

The company warned that the spectacular rates of growth in global mobile telephony - there was a 60 per cent expansion last year - had levelled off slightly, reflecting slower growth especially in the US, the biggest single market.

the year 2000 to 360m compared with the 350m it foresaw a year

users at the end of last year.
The results indicated that Ericsson, which claims 40 per cent of the world's mobile subscribers are connected to its systems, has not been as hard hit by recent trends as some investors have feared. Ericsson's most-

traded B share rose SKr1.50 yes-

terday to close at SKr144, despite

had undermined investor confidence in Ericsson and its rivals Nokia in recent months. Nokia reports its first-quarter results today, having already warned of eaker first half performance. Rricsson group sales rose 14 per cent to SKr22.6bn, driven by a surge in mobile division turn-

SKr13.9bn. Order bookings rose 11 per cent to SKr28.7bn. The company does not report diviuffered from the higher value of

over from SKr10.2bn to

pany was stepping up its effi-ciency drive, which has centred on its fixed telephony division. Fixed telephony sales dipped from SKr5.8bn to SKr4.8bn in the period and Mr Ramqvist said

same period last year. It said mobile division sales rose by 50

tive, said the year had got off to a good start but added: "We are prepared for sharply increased competition." He said the com-

orders were also down, reflecting reverses in China and price pressures throughout the industr The division has shed 3,000 workers over the past year, while the mobile division has expanded

America Mr Lars Ramqvist, chief execu-Online signs Japanese venture

By Louise Kehoe

America Online, the consumer online information services company, reported a surge in thirdquarter revenues and earnings and announced a joint venture in

apan.
The largest and fastest grow ing online service, AOL added more than 905,000 subscribers in the first three months of this year, bringing its total number of US members to 5.5m.

Third-quarter revenues rose 185 per cent to \$312.3m. Net income rose to \$15.1m, or 14 cents a share, after special charges equivalent to about 1 cent a share related to an acquisition. A year earlier, the company reported a net loss of \$3.3m, or 5 cents a share, after a \$7.6m acquisition charge. Service revenues tripled in the

quarter to \$285.5m. Revenues from advertising, network access fees and other sources doubled to nearly \$26.9m.

AOL plans to launch a consumer online service in Japan by the end of the year with Mitsui, the Japanese trading company, and Nihon Keizai Shimbun (Nikkei), the publisher of the leading Japanese business newspaper. It already has a European joint German publishing and enter-

tainments group.

The service will feature a broad range of Japanese language material. Mitsui and Nikkei will together contribute more than \$56m to the launch. Mitsui will hold a 40 per cent stake in the venture, Nikkei 10 per cent and AOL 50 per cent. Mitsul has also purchased about \$28m of convertible preferred shares in

AOL's expansion reflects broad interest in online services. spurred by the Internet. Although analysis had feared that the Internet would draw personal computer users away from proprietary online service the opposite now appears to be true. PC users are increasingly using AOL and rival services such as CompuServe, as a gate way to the Internet.

• Prodigy, the third-largest consumer online information service, appears to be on the brink of a management buy-out. Inter-Sears Roebuck, its parent companies, have been in talks about the service's future since Sears announced its intention to sell

a 0.5 per cent general fall on the Stockholm bourse. The world's biggest supplier of Ericsson adjusted upwards sional profit figures. Ericsson said the sales figure only marginally its forecast for the number of global mobile tele-The slower growth path, increasing competition and tum-bling prices for mobile handsets phone subscribers by the end of the Swedish krona against the

Exceptional charges could offset companies' best annual results for seven years

Another bite at the cherry

Secrets that could wither Tokyo's corporate display

The big question in the Tokyo capital markets is whether the Nikket's rise last month to a fouryear high - from which it has fallen slightly - will prove as ephemeral as cherry blossom or as well rooted as a tree.

The answer will become clearer over the next month when more than 1,800 Japanese companies report what will be, according to their estimates, their best annual results for seven years and make profits forecasts for this fiscal year to next March.
Cherry blossoms clung to the

branches for longer than usual this year - and the earnings season too is expected to show staying power, proof that a cyclical recovery is well under way. But there could also be disagreeable surprises, as companies make use of the upturn to pay off hitherto hidden liabilities.

The top 400 companies will report an average 15.9 per cent increase in non-consolidated recurring profits, before tax and extraordinary items - excluding financial companies - up from an 8.7 per cent rise in the previous year, estimates Nomura Research Institute. Yamaichi Research Institute is forecasting a 17.4 per companies quoted on the main

Add corporate Japan's fast-expanding overseas subsidiarles, built up to escape their hard currency and take advantage of emerging east Asian markets, and the top 400 companies' consolidated profits are forecast by NRI to rise 25 per cent.

That excludes banks, which will report record losses this year because of their decision to take heavy write-offs of uncollectable debts. With banks included the overall non-consolidated profits increase comes out at a modest

These figures are well known and reflected in share prices. What will really count in the reporting season will be any changes companies make in forecasts for the current year and any surprise write-offs they announce for the past year. Hopes are high among Tokyo stockbrokers, whose forecasts for

19 21

22

from 15 per cent at NRI to 30 per cent by Dai-Ichi Life.

Those forecasts will in part be based on the factors, revealed and hidden, behind last year's performance. All companies will have benefited from the strengthening of Japan's economic recoverv. Gross domestic product grew at its fastest rate for five years at the end of 1995, and the consensus of economists in Tokyo is that it will rise by 2.4 per cent this calendar year. However there is a limit to the

extent to which that growth is feeding through to the profits of industrial companies, which dominate the stock market. The bulk of growth in domestic demand appears to be concentrated on services and housing.

Consumer spending remains

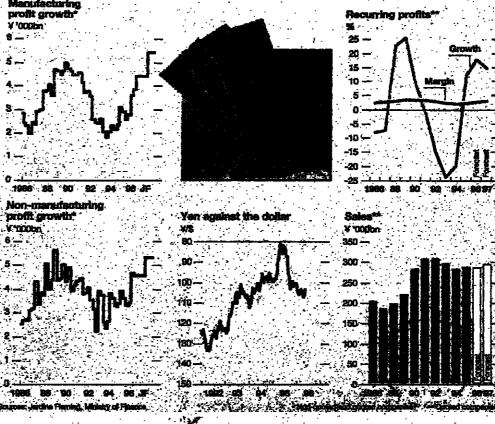
sluggish. The rise in average. sales, around half a percentage point, expected for last year is forecast to rise to just under 3 per cent this year, way below the records of the late 1980s. Consumer electronics compa-

nies in particular were wrong footed by the patchy nature of the recovery. They built up stocks towards the end of the rise in consumer spending, which proved disappointing. One reason for Japanese com

panies' sluggish sales growth is that this recovery has received less help from export sales than previous upturns, because of slow economic growth in the US and Europe. The prime illustration of that is the weakness of US semiconductor demand, for which Japanese chip producers' results will be studied closely. One factor in a brighter year-

for many Japanese companies will be the dollar's rise against the yen, by nearly 32 per cent from a crippling all-time low in

This has lifted exporters' price margins and softened the price competition from foreign imports to Japan. Trading companies' export businesses have been helped by the yen's fall. But the weaker yen has been bad for food and paper companies, which depend on imported materials.



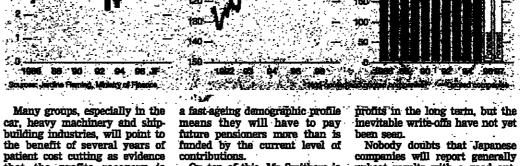
building industries, will point to the benefit of several years of patient cost cutting as evidence soundly based.

Wage rises in the past two years have been held at the lowest in half a century and labour costs have been constrained. This plus large companies' traditional tactic of obtaining price cuts from suppliers and increasing procurement from cheaper suppliers abroad have helped bring down break-even points. But bears in Tokyo point to a

number of negatives which could slow profits recovery.

One is the extent to which com panies' success at labour cost cutting might continue to damp results season is unlikely to throw much light on consumers' mood. But it might provide clues to two other risks to the profits upturn highlighted by Mr Andrew Smithers, a Londonbased economist.

One risk is that most Jananese companies' pension schemes have yet to adjust to the fact that



On too of the

convinced that many companies have yet to make heavy write-offs for equipment scrapped during the recession. Corporate investment in new plant is surprisingly high, at 17 per cent of gross domestic product - about the same as in 1987 - and yet production capacity has fallen, he points out. The combination of the two suggests that the rate at which old plant is being discarded has risen. This should be good for

inevitable write-offs have not yet Nobody doubts that Japanese companies will report generally upbeat results with a good out-

look for the year ahead. But the risk is that exceptional charges will hit earnings and make Japan's historically high price earnings ratios even more demanding than they already are. The coming results will throw a harsher light on the constraints to the profits recovery and could shake a few companies' share prices in the process.

William Dawkins | its share last year.



"If the bankers want to eat our money, we will eat the bankers." There was no doubting the feeling among Eurotunnel shareholders who yesterday descended upon Calais to protest at what they see as the shabby way they have been treated. Mr Marc-Antoine Forest, 76.

author of the above threat, had

left Montpellier in the south of

France on Tuesday evening to

attend yesterday's protest. He had not slept. He had bought his first 600 shares in the Channel tunnel operator, "a bit out of sentiment", for FFr87 a share. Their present price in Paris is FFr5.85. But Mr Forest's predicament was far from the worst among the 300 Eurotunnel investors and two white poodles - who boarded the 9.38 am train à grande vitesse from Paris Nord to Calais at a cost of FFr380 a ticket. Mr Emile Azema had paid "around FFr100 a share" for his shares and had been forced to sell some for FFr20. "Lots of

have money to throw out of the window," he said. Yesterday's protest was organised by two separate shareholder groups formed to protect the interests of Eurotunnel's predom-

working people put their savings

into this project. They didn't



Shareholders protest at their

angry band of small investors. The investors see themselves as the principal victims of the sorry financial state the Channel tunnel operator. But they believe attempts to agree a financial restructuring of the company give them a certain amount of leverage. This is because, they say, any such move must be approved by shareholders.

The two groups yesterday set out their own proposals, calling for Eurotunnel's more than 200 banks to write off 30 per cent of inantly French and increasing the group's FFr68bn (\$13.2bn)

of bonds, convertible into shares at a unit price of FFr30. Mr Maurice Page, a leading light in one of the shareholder groups - the Eurotunnel Shareholders' Association – says agree ment of such a scheme would

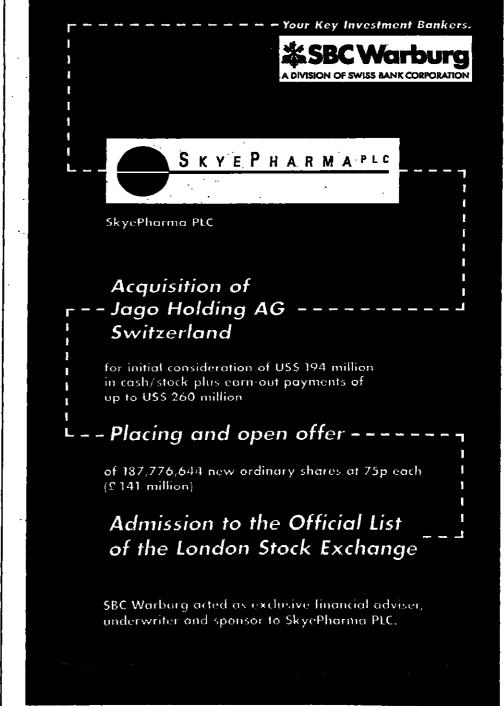
produce a "renewal of confidence", prevent the banks from losing out and enable shareholders to recoup some losses. If the banks do not agree to a FFr30 conversion price, he says, "the shareholders will not accept

anything else. I think the majority are ready to lose everything rather than lose their principles." The alternative to a restructuring is bankruptcy. But some argue the banks have more to lose than Eurotunnel's small

shareholders from such a course.

Adacte, the second - more militant - shareholder group, is considering a liability action against Eurotunnel's directors and banks, which it accuses of acting as shadow directors. "We think the only way for us to get a bit of money back is through court action," says Mr Albert Jauffret, Adacte chairman. Mr Jauffret would like Sir Alastair Morton, Eurotunnel co-chairman, replaced by Mr Richard Branson

"a real manager". The first phase of talks between Eurotunnel and its



ued to be for the 3-series range.

which is gradually being

replaced this year by the new

4-series, launched last year. But Mr Leff Ostling, chief exec-

utive, said Scania had not cut prices to keep up sales of the

outgoing model.
Instead, he said the stronger

Swedish krona and the costs of

introducing the 4-series caused the fall in profits. Group turn-

over was up 2 per cent in nomi-

nal terms from SKr8.5bn to

SKr8.7bn - although there was

an underlying increase of 8 per cent adjusted for currency

1995-96 and hoped to cut this to

FFr115m in 1996-97. It said

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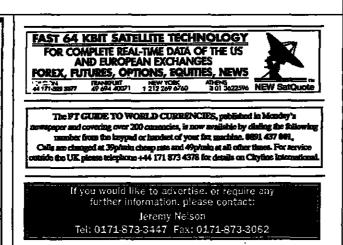
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May 1996

Air France Europe on a tight schedule French carrier's domestic partner faces grim prospects if it fails to get its house in order ir France has one and-

SKr18.8bn.

get its house in order.
Obviously the company has made significant progress, yet there is an enormous amount of work to be done." This assessment by Mr Julius Maldutis, airlines analyst at Salomon Brothers in New York, helps explain the uncompromising way Mr Christian Blanc, Air France chairman, last month spelt out

a-half to two years to

Scania, the Swedish truck

maker floated in New York and

Stockholm last month, yester-

day blamed adverse currency

effects and increased costs

linked to the introduction of its

new model range for a 21 per

cent fall in first-quarter profits.

Pre-tax profits slid to SKrl.1bn (\$161m) despite

increased vehicle sales, barely

matching market expectations

and well below last year's SKr1.4bn at the same stage.

Earnings per share were down

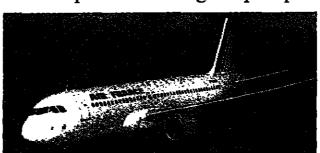
from SKr4.65 to SKr3.96.

the grim prospects for Air France Europe, the stateowned carrier's domestic part-ner, if it fails to, in Mr Maldutis's phrase, "get its house in Mr Blanc said quite simply

that Air France Europe's finan-cial outlook was "leading to disaster". Its operating revenues did not even cover operating expenses. It would be insolvent in less than two years if nothing were done. The Air France chairman

outlined a programme of measures, ranging from a two-year pay freeze to the creation of shuttle services on important routes and the closure of lossmaking routes. Details of the package will follow on May 15. The company's salvation will require the efforts of all catego-ries of staff," he said. These efforts would have to be accompanied by support from

Though it has long faced competition from the high-speed train à grande vitesse, Air France Europe has been reduced to this position



Air France 'still has an enormous amount of work to do'

primarily because of the advent of full competition from other French airlines on its domestic routes.

The barriers to competition were not fully removed until last year, but competitors are already making serious inroads to the group's business on routes such as Paris-Marseilles and Paris-Toulouse (see table). By Mr Blanc's estimate, losses would total FFr1.3bn (\$251m) this year and next if changes were not made.

Liberalisation of European air travel will be further entrenched in April 1997 when airlines from other European Union countries are allowed unfettered access to the French domestic market. Hence the tightness of the timetable stipulated by Mr Maldutis. A big factor in determining

the future viability of Air France Europe, which Air France plans to merge with its own European operations in 1997, will be the response to Mr Blanc's blueprint of the trade unions - still a power in

France. Their initial reactions did not bode well.

COMPANIES AND FINANCE: EUROPE

In Europe, a total of 8,076

Scania trucks were registered,

30 per cent more than during

the same quarter last year and

almost double the rise in truck

registrations in the overall

European market. Scania said it had increased

its share of the heavy truck market in Europe from 14.8 per cent to 16.6 per cent, over-

taking its great rival Volvo and

moving in to second place, after Mercedes. Unlike Volvo.

Scania said it did not see a

downturn in demand in Europe

later this year.

Scania tumbles 21% despite higher sales

Scania B shares eased SKr0.5 at similar levels to last year close at SKr189.50. But they and remained stable in April.

to close at SKr189.50. But they were still ahead of the SKr180

offer price in April, when

Investor, the main Wallenberg

empire holding company, sold a 55 per cent stake via an ini-

Despite the profits decline, Scania reported an increase in

the number of trucks and buses sold in the first three

months from 10,840 to 11,691,

achieved in the face of

overall market declines in the

UK and Brazil, its two biggest

It said order bookings were

public offering for

For one thing, they were antagonised by the tone of some of Mr Blanc's language in particular, what they took as the suggestion that a child of eight would understand the plight of the company, whereas some employees did not. For another, they expressed

disappointment that they could discern no clear strategy for defending Air France Europe's market position in what Mr Blanc said. "We are under the impression that Air France has absolutely no idea what to do with Air France Europe," said spokesman for the SNPL pilots' union. The SNPNC cabin crew's union said its members were "shocked" by Mr Blanc's "alarmist plan".

he crisis at Air France Europe comes as the situation at Air France itself is showing signs of improvement after cumulative losses of about FFr15bn since 1991. The group disclosed last

month it had reduced net losses before restructuring costs to less than FFri.2bn in

gross operating profits had risen to FFr3.7bn. The figures excluded Air France Europe. Ironically, some feel the brighter picture at Air France may make Mr Blanc's task at Air France Europe even tougher. "It is more difficult to implement a restructuring when the results you are posting are better because the unions will say What's the problem? We are back in profit, argues Mr Guy Kekwick, a London-based analyst

with Lehman Brothers. What is not in doubt is that the stakes for the airline - and the French government, which is seeking to implement social and economic reform while avoiding fresh confrontation with trade unions - are extremely high.

Analysts such as Salomon's Mr Maldutis think the European market will eventually come to be dominated by as few as three premier carriers which will use next year's liberalisation to expand aggressively. Two of this trio look set to be British Airways and Germany's Lufthansa. Whether Air France emerges

as the third - and in the process becomes a realistic prospect for privatisation - may hinge on the events of the next few months.

International passengers* MEZIT TO THE

Costs, meanwhile, rose from SKr6.8bn to SKr7.3bn. Mr Ostl-

ing said 1,500 workers would

be laid off later in the year as production was streamlined to

The costs increase left oper-

ating profits down 19 per cent

at SKr1.23bn compared with

This meant the operating

margin at Scania - which prides itself on being the world's most profitable truck

maker - fell from 17.8 per cent

However, this was still comfortably ahead of its

only the 4-series.

SKr1.5bn last time.

to 14.1 per cent.

Japan Airlines

Domestic passengers*

USAL Continental Airlines British Airways THE Dank World Address - 280

David Owen

DSM N.V. Dividend

The DSM N.V. dividend for the financial year 1995 has been fixed at NLG 8.00 per

An interim dividend of NLG 2.00 having been paid in August 1995, the final dividend payable amounts to NLG 6.00. The final dividend will be paid against presentation of coupon no. 14 as from 22 May 1996 at the office of the Company's Paying Agent in the United

DSM 😥

S.G. Warburg & Co., Paying Agency, 2 Finsbury Avenue, London EC2M 2PP

All dividends will be subject to deduction of withholding tax of 25% in the Netherlands. United Kingdom income tax will be deducted at the rate of 5% unless claims are accompanied by an affidavit. Withholding tax deducted in excess of 15% is recoverable by United Kingdom residents. The company's United Kingdom paying agent will, upon request, provide the

credited against UK income tax. Heerlen, 9 May 1996

appropriate form for such recovery. The remaining 15% withholding tax can be

DSM N.V., P.O. Box 6500, 6401 JH Heerlen, The Netherlands, tel. (31) 45 5782423, fax (31) 45 5740680

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Call for Expressions of Interest in Purchasing The Groups of Assets of "Hadjiathanassiades Bros S.A. "of Athens Greece

ETHNIKI KEPHALEOU S.A., Administration of Assets and Lubilities, of 9n Chryssosphiotissis Str., Athens 10560, Greece, in its capacity as Liquidator of "Hadjuthanaschdea Bros S.A.", a company with its registered office in Athens, Greece, (the "Company"), presently under special injudication according to the provisions of Article 46s of Law 1872/1990, by winter of Decision 3464/1996 of the Athens Court of Appeal invites intensive facilities as substant within reversy (20) days from the publication of this call, non-binding written expressions of interest for the punchase of the groups of assets mentioned below, each one being sold as a single entity.

BRIEF INFORMATION

The Company was enablished in 1968, its activities included the processing and canning of whole ornances, tornare paste, tornare juice and vegetables, the processing and packaging of whole and grandstard not the packaging of fresh frusts and vegetables. The Company was doctared bandcupt in 1991, while it was placed under special liquidation on 19 April 1996. GROUPS OF ASSETS OFFERED FOR SALE

Rice processing unit (rice mill), comprising several backlargs the area of which amounts to approx. 4.574 sq.m., standing on a plot of land of approx 3.450 sq.m. within the city planning area of the Commanuty of Stotusser, Series. This contains machinery consisting of an OLMIA polished rice production unit is 4 ton/Hi. a SCHULE probabled rice production unit 2 ton/Hi and a sorting and packaging unit. The "MAGIROS" rice trademark reased out in 1938 on a long-term basis) and the company's registered trains are included in the present group of assets.

Pecied tomato, tentate purce and tomate juice production unit and fruit and vegetable processing unit, comprising several buildings the area of which amounts to approx. 25,500 sq.m., standing on a plot of land of approx. 52,136 sq.m. sudplning that of the normality. The pitting is matchastery includes a tomato purce production unit, the capacity of which is equal to 2,000 total/24 hours and units for the processing of peeled tomatoes, peas, beams, peaches and affiredfit. The latter are dismartied and in a bad condition. Both the nee and the fruit and vegetable units are currently leased out while legal profer the termination of the lease are perding

Remaining assets, incl. so agricultural plot of land amounting to 4,820 aq.m. at KiOR ASMAKI, in the region of the Community of Skotuwes, Screen.

SALE PROCEDURE

the Company's assets will be sold by way of public Austion in accordance with the provisions which 46s of Law 1892/1990, tas amplemented by art. 14 of L. 2003/1991 and subsequent mended) and the terms set out in the call for teaders for the sale of the above assets, to utilished in the greek and forcing nerso on the dates provided by law SUBMISSION OF EXPRESSIONS ON INTEREST OFFERING MEMORANDUM

For the authorisolons of Expressions of Internet and in order to obtain copies of the relevant Offening Memoranda please contact the Liquidator. "ETHINK! KEPHALEOU SA Administration of Assets and Liabilities". '94 Chrysvespiliotisis' Str., Atherts 10540 GREECE, Tel. +30-1323 14.84 -87 Fax: +30-1-22, 179.05 (attention bits. Marks Francisco).

International Finance Corporation

Italian Lire 200,000,000,000 Floating rate notes 1998

Notice is hereby given that for the interest period 9 May 1996 to 9 August 1996 the notes will carry an interest rate of 8.575% per annum. Interest payable on 9 August 1996 will amount to ITL 109,569 per ITL 5,000,000 note and ITL 1,095,694 per ITL 50,000,000 note.

Agent: Morgan Guaranty Trust Company JPMorgan

XCARIPLO US\$200,000,000

Floating rate depository receipts 1998 issued by The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on

deposits with Caripio-Cassa di Risparimo Delle Provincie Lombarde S.p.A, London Branch

Notice is hereby given that the receipts will bear interes at 5.875% per armum from 9 May 1996 to 9 August 1996. Interest payable on 9 August 1996 will amount to US\$150.14 per US\$10,000 and US\$1,501.39 per US\$100,000

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ue Brumaties Lambert S.A. 24 Avgrue Marrit B-1050 Brussels

May 9, 1996, Landon By: Citibank, N.A. (Issuer Services), Agent Bank

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Floating Rate Depositary Receipts Due 1999

Notice is hereby given that the Rote of Interest has been fixed at 5.75% and that the interest payable on the relevant Interest Payment Date August 9, 1996 against Coupon No. 10 will be US\$14.094 in respect of US\$10.000 nominal of the Receipts and US\$1,469.44 in respect of US\$100,000 of the Receipts.

Belluno e Ancon

MOTICE IS HERREBY GIVEN to holders of the Bonds ("Bondholders") that, in accordance with Condition 4(b) of the Bonds, the Bonds with the redeemed on 10 June 1995 (the "Redemption Data") for a redemption what of \$24,295.30 pitchest per Bond accrued to the Redemption Date. Payment of the Bonds' retemption value and interest will be roads pursuant to Another 5 of the Bonds and all outstanding Londinon is of the brook and as outstanding unrequest couptins at the effice of a Phyling Agent at the address shown below. The aggregate amount of principal so disducted will be paid against surrender of the nelevant coupon not lear han 10 years from the Palastant Date as defined in Condition 6 of the Stroke. Bonds and coupons will become void unless presented for payment within a period of 10 years and 5 years respectively. PRINCIPAL PAYING AGENT

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COMPANIES AND FINANCE: EUROPE

Schering sees 'double-digit' profits growth for 1996

DAY MAY 9 1996

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Schering, the Berlin-based pharmaceuticals company, yes-terday revealed mixed fortunes in product sales in the first profits for 1996 would "grow by quarter, but a good profits performance as net earnings rose formance as net earnings rose the company posted net profits 16 per cent from DM113m to of DM286m.

DM131m (\$86.1m).

Turnover for the first DM131m (\$86.1m).

The company's financial income rose 58 per cent, from DM24m to DM28m. Operating profits, by contrast, slipped 1 per cent from DM198m to

Prospects for the whole year from DM187m to DM191m. were good enough for Schering formance of 1994, after a relatively poor 1995. It said that a double-digit figure". In 1994,

quarter rose 5 per cent from DM1.15bn to DM1.21bn. Most of the improvement derived from non-German seles, up from DM962m to DM1.02hn, Domestic sales rose

Late last year the company launched Betaferon, its multiple sclerosis drug, in Europe. First quarter sales in Europe reached DM28m in spite of a

"poor start" in the UK. The company blamed the lack of a "central agency in charge of administering the budget for dispensing Betaferon [in the UKF. The drug caused some controversy in the UK as a result of its high

It said that a decline in

ties for patients had helped slow the rate of sales growth in the US, where sales were barely changed at DM90m.

Schering added that sales of Betaferon, sold as Betaseron in the US, could fall when competition hits the market later this year. Massachusetts-based Biogen is likely to be the first to launch a competitor.

Betaferon sales might not. therefore, reach their target of DM600m a year, the company

mance from the fertility/ hormone therapy products areas. Sales rose 5 per cent thanks to the hormone replacement therapy products, rather

have been hit by health AgrEvo, a crop protection business run jointly with Hoechst, the German pharmaceuticals and chemicals company, contributed DM23m, after goodwill, to Schering's

first quarter profits. This com-

than oral contraceptives which

DM14m in the same period in

Sales in the diagnostics side principally materials for improving the quality of x-ray and body scan pictures - fell 8

The company blamed losses in Japan partly attributable to the weakening yen. It also had to withdraw a promising new product, Isovist, last year. Sales in Latin America

showed the largest single regional increase.



Hans-Peter Keitel: present year off to a good start

Winterthur posts 15% rise for year

Winterthur, the Swiss insurance group, posted net profits for the year to December up 15 per cent from SFr364.2m to SFr419.2m (\$338m). Gross premiums rose from SFr20.5m to SF122.3bn. The dividend goes up by SF12 to SF119. Analysts had forecast net profits of between SF1415m and SF1430m, and Winterthur bearer shares closed down SF14 at SF1761. Winterthur said pre-tax profits rose from SFr730.3m to SPr815.7m. Operating earnings at its non-life division were

ahead 20.2 per cent to SFr580.4m, while operating profits at its life business fell 4.9 per cent to SFr235.3m. The group said the decline in life business was "not only due to higher benefits paid, but also to larger allocations to the reserves in disability insurance." It said total financial investments rose from SFr65bn to SF172bn, with income from overall financial operations rising from SFr4.25bn to SFr5.19bn Non-life business premiums rose 8.9 per cent in 1995 thanks to acquisitions, the company said. The group's life premiums rose 9.2 per cent due to growth in Switzerland, Italy and the UK. Winterthur said shareholder equity fell to SFr40n at end-1995 from SFr4.10n a year earlier due to an extremely

strong Swiss franc and goodwill paid for acquisitions.

Rabobank builds Polish stake

Rabobank, the Dutch co-operative bank which specialises in international agribusiness lending, yesterday announced it had subscribed to a new share issue in Bank Rolno-Przemysłowy of Poland. It has acquired a majority 51 per cent stake in the Polish bank and doubled its capital to 40m zlotys (\$15m).

The bank, created in 1993, had a balance sheet total of 99m zlotys at the end of last year and is concentrated in the Polish food processing and agribusiness sector. It will now be known as Rabo-BRP Polska SA. Rabobank said it intended to invest some \$100m in new branches in central and eastern Europe David Brown, Amsterdam over the next four years.

Hochtief up at DM137m for year

Hochtief, the leading German construction group, yesterday reported a 7 per cent improvement in net profits to DM137m (\$90m) for 1995, despite what it called "the worst post-war cri-sis" in the German construction market. It said it was "optimistic" about results for the current year.

The improved earnings are in marked contrast to those at Philipp Holzmann, the larger rival group which Hochtief is wrestling to take over. Holzmann last month disclosed a surprise loss of DM360m, mainly due to problems in the property market.

1995 results following a 38 per cent rise in orders from outside Germany, to DM5.2bn.

"Our policy of internationalising, something we have been doing steadfastly over the years, has paid off," said Mr Hans-Peter Keitel, chief executive. The dividend for 1995 will remain unchanged at DM13.50.

New orders in Germany meanwhile fell 16 per cent to DM6.6bn, underlying the per-sistent weakness of the Ger-

man construction market. However, Mr Keitel said the present year had got off to a good start with orders rising to DM2.3bn in the first quarter, 18 Essen-based Hochtief said it per cent higher than during

the same period a year earlier. Construction output, the con-struction industry's term for man construction industry sales, rose 3 per cent to powerful international competition unless it changed its Overall Hochtief's construcways.
"The big German construc-

tion output last year rose 6 per cent to DM11.1bn, up from DM10.5bn. Output in Germany rose 3.6 per cent to DM7.6bn while output abroad was ahead 10.4 per cent to DM3.9bn. The group said its subsidiaries in Australia, the Nether-

lands and South Africa had contributed to the improved results with unspecified Despite the improved results,

Mr Keitel repeated his warn-

ings - directed mainly at

Holzmann, which it is attempt-

company, doing mainly traditional construction activities, Mr Keitel said. "[They] have to restructure themselves and think in new categories ... in order to be able to manage a number of activities from project develcoment to facility manage-

Dividends boost at Italian insurers

By Andrew Hill in Milan

Ina and Ras, two of Italy's largest insurance companies, plan to raise their dividends by more than one-third on the back of strong increases in group profit.

Ina will propose a dividend of L55 per ordinary share, compared with L40 the previous

Mr Sergio Siglienti, Ina chairman, said yesterday the company was "technically ready" for the next phase of privatisation - the sale of the treasury's remaining 34 per

election victory for the centre-accounted for some L300hn of left should accelerate the sale, premium income in 1994. probably through an issue of Stripping out those government bonds convertible operations, the group said non-into ina shares: A bond issue life premiums had risen by 8 would avoid the treasury havlower than the L2,400 of the 1994 flotation. Ina's shares closed yesterday at L2,278,

Ina's net consolidated profit rose from L293bn in 1994 to L395bn (\$254m) in the 13 months to December 31 1995, helped by a 15 per cent se in premium income to L2,971bn, against L2,580bn a

year earlier. ina said it was still searching for a new banking partner, following the end of an earlier agreement with Banca di

Ras, which is controlled by Allianz of Germany, plans to pay a dividend of L340 on ordinary shares and L400 on savings shares, against L250 and L300 respectively for 1994. Ras closed calendar-year 1995 with a net profit of L319bn, up nearly 60 per cent on 1994's

Premium income slightly lower at L4,161bn, against L4.381bn in 1994, but the company explained that the reduction was almost entirely due to the ending of the group's energy, oil and gas Analysts believe last month's insurance activities, which

> per cent in the year, and life Ras also announced a reshuf-

fie of management, promoting three of the company's general managers - Mr Mario Greco, Mr Salvatore Militello and Mr Pierluigi Riches - to managing director, each in charge of a different business area

. The company said Mr Giulio Baseggio and Mr Attilio Lentati would give up their role as joint managing directors while retaining the post of joint chief executive alongside Mr Angelo

Teleshopping set to grow in Germany

By Frederick Stüdemann in Munich

Home Order Television, Germany's first television shopping network, which launched last October, yesterday said it expected turnover in 1996 to reach DM65m (\$43m) and that it would start making operating profits in 1998.

The network, which is jointly owned by the Quelle

mail order group, Mr Thomas Kirch and Mr Georg Kofler, said it expected to have fully paid off initial investment costs of DM100m by 2000. Mr Andreas Buschelhoffer,

joint chief executive, said that in the long term he expected turnover to settle down at about DM500m. "That is where we see the saturation point," he said.

The network is a pioneer in the German television industry, which is undergoing considerable upheaval in the approach to possible liberalisation and the arrival of digital

pay-TV.
Teleshopping is considered particularly attractive given the popularity of mail order shopping in Germany, which has prompted retailers, such as Quelle, to move into television. Rewe, the high street retailer, this year bought a 40 per cent stake in the Pro Sieben network from Mr Kirch

and Mr Kofler. Foreign companies, such as the US-based network QVC, are also looking at the German

> The growth of teleshopping has been hampered, however, by legal restrictions which limit television shopping to one hour a day on commercial networks, and which strictly speaking do not allow net

works devoted wholly to

HOT, however, was able to convince the licensing authori-ties in Bavaria that it was not so much a broadcasting network as an "audio-visual

Other regional states are now following Bavaria's lead and a reform of the state's Broadcasting Treaty, under which the Lander administer broadcasting in Germany, is expected to bring further liber-

At present HOT can be received by 4m households through cable and satellite

The network said it would expand distribution in the coming year into Austria and Swit-

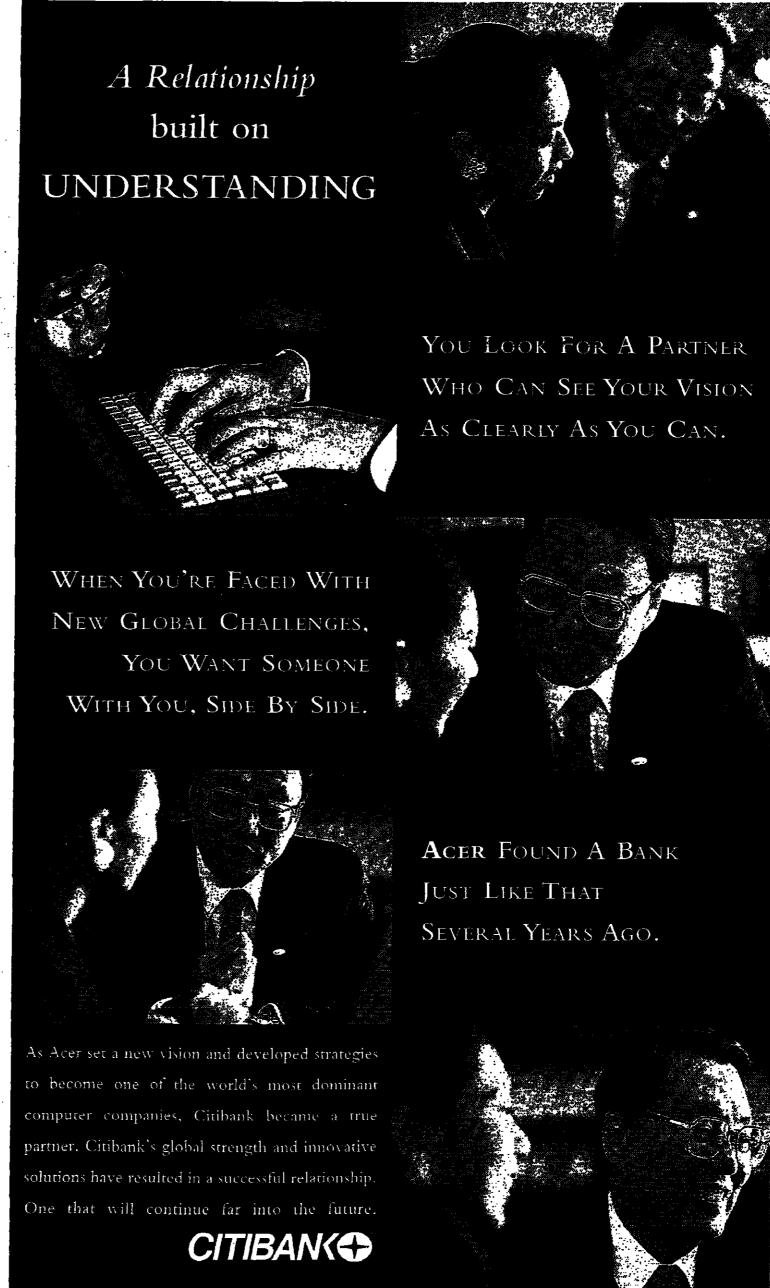
Within Germany, it has signed distribution agreements with several local networks for the transmission of daily one-hour segments which can be received by about 7m

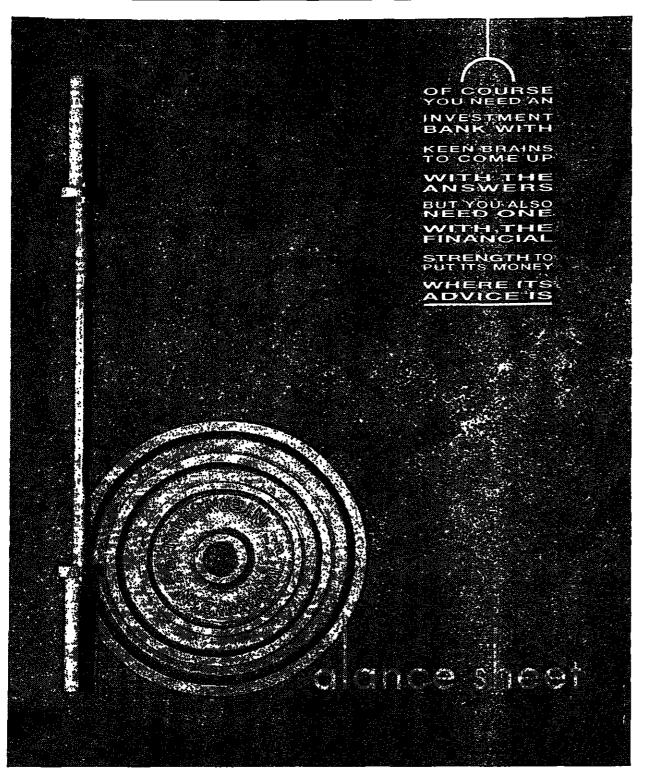
In its first six months of operation, the network said it had found many previous assumptions about teleshopping to be false.

"Many people thought it would be primarily something for women, but in fact nearly half - 47 per cent - of our sales are made to men," Mr Büschelhoffer said.

Furthermore, product groups believed to be more attractive to female customers - such as jewellery and household goods were in sales terms split almost equally between the

Mr Büschelhoffer said that in general, German viewers did not respond to the hard-sell techniques popular among US







INVESTMENT BANKING. FROM A



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DANONE

DIVIDEND PAYMENT

At the General Meeting of Danone Group on May 7, 1996, shareholders voted to give each shareholder the option of payment of the 1995 dividend of FF 16.00 (excluding the tax credit) in cash or share form.

The issue price of shares distributed in lieu of a cash payment was set at 90% of the average opening price for the twenty trading days prior to the Meeting, exdividend, or a total of FF 689. New shares will become available on July 22, 1996.

On May 7, the day of the General Meeting, DANONE shares were opening at FF 798.

Regardless of their preference, shareholders retain the benefit of tax credit (avoir fiscal) attached to the

Shareholders may exercise their choice between May 13 and June 7, 1996 inclusive.

Shareholders who opt for dividends in cash rather than in shares will be able to receive payments as of May 13, 1996 provided they have instructed their bank or other financial intermediary occordingly.



DANONE

FIRST-QUARTER SALES UP 5.4%

Consolidated sales of Danone Group amounted to FF19.5 billion in the first quarter of 1996, 5.4% more than the FF18,5 billion recorded in the same period of 1995.

tee ill: L	1005	100/
(FF millions)	1995	1996
Europe		
Doiny products	5,287	5,661
Grocery products / Pasta	3,999	4,019
Biscuits	2,864	2,802
Beer	1.483	1,465
Mineral water	1,552	1,579
Countainers	1.553	1,550
International	2,389	3,000
intra-group transactions	(599)	(553)

This 5.4% rise reflects a progress in arganic growth (up 2.5%), and first consolidation of companies active in dairy products in eastern Europe and Argentina, and biscuits in Argentina and China.

All constant organization, structure and exchange rates, year-on-year

Europe Dairy products	
airy products	+ 4.1%
procery products / Pasta	+ 3.7%
discuits .	- 2.1%
Beer	– 1.6%
Aineral water	+ 2.0%
onkoiners	+ 0.5%
nternational	+ 3.5%
ROUP TOTAL	+ 2.5%

Figures reflect slack trends in food consumption in France in March, but signs of firming emerged in April



NATIONAL BANK OF CANADA

US\$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, rictice is hereby given that for the Interest Period from Mary 09, 1996 to August 09, 1996 the Notes will carry an Interest Rate of 5.70% per annum. The Interest Amount payable on the relevant Interest Payment Date, August 09, 1996 will be US\$ 145 67 per USS 10,000 principal amount

The Financial Times plans to

publish a Survey on

on Friday, May 24.

of Note and US\$ 1,456.67 per US\$ 100,000 principal





U.S.5300,000,000

GROUP TOTAL

Floating Rate Notes due 1998 For the three months 8th May, 1996 to 8th August, 1996 the Notes will carry an interest rate of 5.67734° per annum with an amount of interest U.S.\$145.09 per U.S.\$10,000 Note and U.S.\$1,450.88 per U.S.\$100,000 Note, payable on 8th August, 1996.
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COMPANIES AND FINANCE: ASIA-PACIFIC/INT'L

SA banks warn despite progress at halfway stage

n Johannesburg

First National Bank and Nedcor, the South African banking and financial services groups, yesterday reported solid growth for the six months ended March 31.

However, both groups predicted a slower rate of asset growth for the second half, citing the decline in consumer confidence, slackening demand for credit and the prospect of higher costs and interest rates after the recent sharp falls in the rand.

First National posted a 13 per cent rise in pre-tax income, from R602.9m in the first half of 1995 to R681.3m (\$155.2m). Earnings per share rose 17.5 per cent to 103.5 cents. The dividend was raised by one-third, to 20 cents a share.

Analysts said the results were below expectations. "Most analysts were looking for at least 19 per cent on earnings, if not somewhere in the early twenties," said one.

Mr Barry Swart, managing director, said the increased uld correct the proportional imbalance between the interim dividend and the year-end dividend, which was 66 cents a share at September 30 last

The charge for bad and doubtful debts rose 42.1 per cent to R256m, against R180m. of which 32.5 per cent was owing to the incorporation for the first time of FirstPref Finance, First National's vehicle financing arm. Net interest income rose 24.8 per cent to R1.7bn. Total assets

per cent, or R5.2bn, since September 30 last year. Nedcor reported a 32 per cent rise in pre-tax income, from R546m to R718m. Earnings per share increased 24 per cent to 210 cents, and the dividend was

25 per cent higher at 45 cents 3

were up 20.5 per cent to R82.5bn but had risen only 6.7

share. Analysts said the results were broadly in line with expectations, although final results in September were now unlikely to exceed forecasts of 25 per cent earnings growth.

Mr Richard Laubscher, chief executive, said the results reflected "a solid all-round performance, despite a cautionary build up of bad debt provisions for new business activities". Earnings had grown an average 20.2 per cent over the past three years.

The ratio of expenses to total income for the period was 62.8 per cent, compared to 65.5 per cent last time. The group intends to reduce costs to achieve a ratio of 60 per cent within three years.

Net interest income increased 21 per cent to R1.4bn as margins came under pressure from higher interest rates in the money market.

Total assets increased 23 per cent to R79.1m, a rise of 9 per cent since the end of fiscal

Westpac divests Victoria operations

By Nikki Tait in Sydney

The shake-out in Australia's banking sector took a fresh twist yesterday when Westpac, one of the four big commercial banks, sold the Victorian operations of its recentlyacquired Challenge Bank subsidiary to Bank of Melbourne.

Bank of Melbourne, which is histed and heavily oriented towards the consumer and home loan markets, is one of the declining band of regional banks left in the sector, and has itself been the target of takeover speculation.

It said yesterday it had agreed to pay Westpac net premium of A\$69m (US\$55.2m), representing goodwill. "It is estimated that the total purchase price will be approximately A\$800m," it said.

Westpac made a successful A\$689m bid for Challenge's shares last year. Challenge is based in Perth, and Westpac was widely viewed as being primarily interested in increasing its presence in Western

Yesterday, Mr Bob Joss, Westpac's managing director, said the sale was "consistent

with our strategic objective of concentrating on Challenge's regional WA strength". "It also represents a good

return for our shareholders and ensures focus on the integration of our WA business." he added. The business that Westpac is

selling includes retail and commercial assets of about A\$1,3bn and deposit liabilities of A\$503m, and comprises 22 branches. It has some 132,000 customers and 241 employees Bank of Melbourne said the

deal would lift its share of lending in Victoria to 10.1 per cent, compared with 8.4 per cent at present, and its share asset value for the Victorian of deposits from 10.4 per cent to 11.1 per cent. It will fund the deal from cash reserves and from a A\$205m medium-term note issue.

Mr David Airey, chief executive at Bank of Melbourne, said he expected the deal to add about A\$15m in pre-tax profits in 1996-97, and lift total assets at Bank of Melbourne to more than A\$10bn. Shares in Bank of Melbourne

remained steady on the news at A\$7.10, while Westpac which is due to report interim results next week - eased A\$6 to A\$5.92.

NEWS DIGEST Malaysia seeks steelmaker rescue

Malaysia is considering proposals from four private companies to rescue the state-owned steelmaker Perwaja Terengganu, which borrowed heavily and has been suffering high operating which corrowed heavily and has been suffering high operating losses. Mr Anwar Ibrahim, deputy prime minister and finance minister, said the four companies were Renong Berhad, Westmont Industries, Lion Corporation and the Maju Group. All are highly-diversified, with close government contacts. Mr Anwar gave no details of the proposals. Perwaja is under finance ministry control while it is being audited.

Steel industry analysts said the government had not yet decided what form the private participation in Perwaja might take. The most likely option was that one or two of the interested companies would take an equity stake alongside a remaining state holding, analysts said.

Estimates of Perwaja's debt range from about 5.7bn ringgit to 6.8bn ringgit (\$2.29bn.\$2.7bn), much of it owed to foreign financial institutions and denominated in yen. Accumulated operating losses are 2.5hn ringgit. Analysts said the government would probably pay off Perwaja's debt to make the steelmaker more tempting to private sector suitors, but would leave its accumulated losses because 30 per cent of these could be claimed as tax deductions on earnings.

Perwaja, with some 4,000 workers, manufacturers a range of steel products used mainly in construction. Demand for its products seems assured because of 31 government projects worth an estimated 163bn ringgit between 1995 and 2020, but operating costs are high. James Kynge, Kuala Lumpu

Indonesian tin miner up sharply

Tambang Timah, Indonesia's integrated tin mining company. saw net profit in the first quarter increase about 90 per cent on the same period a year earlier, on higher average prices for tin and increased sales volume.

Net profit rose to Rp39.4bn (\$16.9m) in the first quarter from Rp20.64bn a year earlier, while sales advanced 26 per cent to Rp136bn. The average tin price in the period increased from US\$5,825 a tonne in the comparable 1985 period to US\$6,299 a tonne, while first-quarter sales volumes rose from 8,400 tonnes

to 9,330 tonnes. The first-quarter net income figure compares with Rp59bn recorded in the fourth quarter last year, but this included a one-time extraordinary gain on the sale of assets. Timah's production costs are expected to increase this year, but analysts say this is unlikely to have a significant impact on earnings growth as world prices and demand for tin are set to

A rise in production costs is attributed to increases in capital expenditure as the company starts exploration for diamond mining on the island of Kalimantan and gold mining

A company official predicted that costs would rise to US\$4,459 a tonne, against US\$4,210 a tonne last year. Analysts noted that production costs were also slightly higher in the first quarter as Koba Tin, in which Timah has a 25 per cent stake, started operating its own tin smelter. This took about 1,700 tonnes out of Timah's smelter output, leading to a "slightly lower utilisation rate and therefore higher production costs", said one Jakarta-based analyst.

Manuela Saragosa, Jakarta

Australian brewer in Vietnam deal

Power Pacific, the Australian brewer, has signed a \$276.9m joint venture contract with Vietnam's largest brewer to build a plant near Ho Chi Minh City in southern Vietnam, its second hrewing venture in what has fast become a competitive market. The joint venture company, known as Saigon Power Brewery, would be owned 51 per cent by Power Pacific with the rest held by Saigon Brewery, a state-owned company that produces the "333" brand originally brewed by the French earlier this century.

Power Pacific said the brewery would be completed in 1998, when initial output should be about 150m litres, rising to 300m

The company puts annual beer consumption in Vietnam at about 6 litres a head, and anticipates an annual growth rate of 20 per cent. Saigon Power Brewery planned to produce "an international premium brand" in addition to Saigon Brewery's existing range. The official said Power Pacific was negotiating with Anheuser-Busch, the US brewer, about involvement. Anheuser-Busch produces Budweiser beer. The Australian company was also talking to other

international brewers about taking a debt or equity position in the project. It has one other brewery in Vietnam, a small plant, also in Dong Nai province, producing about 20m litres of draught beer annually.

Since the Vietnamese brewing sector started to attract foreign investment in 1993, the number of foreign and local brands produced has soared. Foreign arrivals include Carlsberg, Tuborg, San Miguel, Tiger and Guinness. As a result, some industry analysts question whether there is scope for more foreign investment. Jeremy Grant, Hanoi

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As proposed by the Board of Directors, it was decided at the Annual General Meeting of May 2, 1996 to change the company's name from BBC Brown Boveri AG to ABB AG. The change was made to reflect the unity of the ABB Group. It also makes it clear to investors that investing in shares of the company comesponds to a participation in the international ABB Group. Because of the change, from May 9, 1996 all bearer and registered shares, and

all outstanding bonds will be listed on the Zurich, Basle and Geneva exchanges under the name of:

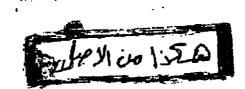
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RSDAY MAY 9 1996

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By Maggie Urry in New York Berkshire Hathaway, the 67,500 shares. insurance and investment group chaired by Mr Warren time, in an attempt to meet all demand for the shares. The issue, which was due to market closed last night, was put up from 350,000 to 450,000

Also yesterday, it was revealed that Berkshire had Buffett, has increased the size of its B share offer for the third and Exchange Commission to sell some or all of its holding of 358,000 Series A convertible be priced after the New York market closed 1-1

Berkshire's B shares will be priced at about 1/30th of the A shares, which yesterday morn-

would raise some \$500m for Berkshire, excluding the Salomon option.

Berkshire lifts size of offer for third time

COMPANIES AND FINANCE: THE AMERICAS

However, it would increase the group's share capital by only 1 per cent.

only 1 per cent.
At the group's annual meeting on Monday, Mr Charles
Munger, vice-chairman of
Berkshirs, characterised the issue as "a non-event". Regarding the USAir posi-

If the airline did not buy them. Berkshire would be free to sell some or all of the shares at a price at or above that offered to USAir for a period of

up to 90 days.
USAir said yesterday it had received the letter and would be responding. Berkshire has promised it would not know-ingly sell the shares to anyone who would hold more than 3

Salomon Brothers, the ing were trading at \$38,000, tion, Berkshire's filing said it per cant of USAir as a result underwriter, has an option down \$1,900 after rising would offer the shares to Berkshire paid \$350m for the over a further 15 per cent or sharply on Tuesday. The issue USAir itself. Berkshire paid \$358m for the USAir preferred stock in 1989. After years of losses, Berkshire wrote the investment down to

\$89.5m in its 1994 accounts. A return to profitability by USAir in 1995 allowed Berkshire to write the holding up again, to \$215m. At Monday's meeting, Mr Buffett said the investment "looks considerably better than it did 18 months ago, but the fundamental prob-lems are there".

well above the offering price. Eventually, Wit Capital

hopes to create an Internet

stock exchange that would use

a database to match buyers

and sellers without the inter-

vention of expensive brokers.

prove that direct Internet

share trading can be done

under existing regulations. His first effort at trading was

halted by the SEC because

Spring Street was acting as its

own transfer agent: under Spring Street's Wit-Trade sys-

tem, potential buyers and sell-

ers post offers on a bulletin

board at the company's Web

site, and then contact each

other by e-mail or telephone to

But first Mr Klein will have

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FEBRUARY 1996

Cyberbankers set to invade the Internet

Web sites are being set up to help small companies raise money, writes Lisa Bransten

Andrew Kiell was a former corporate lawyer trying to build up a small brewing company in Manhattan. Then his Spring Street Brewing conducted its initial public offering over the Internet, and hundreds of tiny companies flocked for advice about raising capital in cyberspace.

Now he has formed Wit Capital Corporation - named after Spring Street's Wit beer which he hopes to develop into a full-service investment bank offering underwriting and investing services on the Inter-

He is not alone. In Albuquerque, New Mexico, Mr Michael Weinstein and Mr Jack Ben Ezra hope to use the Internet to raise money for, among others, a start-up that builds housing for the elderly and a company that raises hydroponic

ber of the Securities and Exchange Commission and a champion of the benefits of technological innovation, does not think Internet offerings will replace the Wall Street variety, although he believes they could provide opportunities for little companies seeking relatively small amounts of capital

Spurring the process is the growing use by entrepreneurs of direct public offerings through a special SEC programme, and through stateregistered Scors (small corporate offering registrations), both of which allow companies to raise a limited amount of money by selling shares directly to the public.

Mr Clay Womack, a private In California, Direct IPO investor and fund manager in

few weeks ago Mr
Andrew Klein was a
former corporate lawying to build up a small or company in Manhatne co one of the biggest IPOs over the Internet.

The broker has said it might underwrite at least a portion of its own IPO. Securities and Exchange Commission restrictions

prevented the company from disclosing more details. Recent IPOs of Internet related companies have been valued at three to 12 times forward revenues, according Mr Jonathan Cohen, an analyst at Smith Barney. That puts the value of E-Trade, which had revenues of nearly \$10m in the fourth

quarter of last year, at about \$500m. E-Trade was founded in 1991 by Mr Bill Porter, a physicist who was led in to on-line broking through his interest in getting stock quotes from his computer. It began offering on-line trading in 1992, mostly through on-line services such as America Online,

small businesses in August. Later this year, he hopes to begin listing corporate offerings registered under the Scor programme for an initial fee of \$350 plus \$500 a quarter. Scor-Net is being developed

with state regulators as a nonprofit entity, and has asked the SEC to review its plans. Consulier Services of California, the financial services database that is sponsoring Scor-Net, will not make claims about the authenticity of any company listed on the site, but it is only available to state-registered

offerings. Wit Capital, Direct IPO and the Ben Ezra-Weinstein group all plan to perform some due diligence in exchange for much higher fees or a percentage of the capital raised.

None of that guarantees fraudulent companies will not find their way on to the internet, but Mr Wallman thinks the Internet's open nature makes it a difficult environment for fraudsters.

Risky ventures are another story. By their nature, capitalpoor companies with no record Stewart-Gordon, who monitors small offerings as publisher of Scor-Report, says that the deals work best in rural areas where everybody knows the people starting up the busi-

"The Internet is a great source of information, but you don't have analysts monitoring the companies and that is a

problem," he says.

There is a populist tone to

and this year it began offering trading over the Internet. California, launched the Scor- the ideas of these would-be Net Web site as a resource for cyberbankers, who want to provide main street investors with a way in to companies that are usually only available to large institutions and rich

venture capitalists.

In recent IPOs for companies such as Netscape Communications, the Internet software maker, and Yahoo!, the Internet guide, large institutions got most of their share allocations from the investment banks and many were able to to regulators for review.

agree on a price. Once a price is agreed the purchaser sends a cheque to Spring Street, which transfers the money to the seller and the shares to the

The SEC has given Spring Street tentative approval to resume trading, assuming it finds an outside escrow agent to handle the trades and submits a plan of its new scheme



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NOTICE TO HOLDERS OF THE 71/4 PER CENT. CONVERTIBLE SUBORDINATED BONDS 2007 (THE "BONDS") OF ROYAL INSURANCE HOLDINGS PLC

NOTICE is hereby given that, by a letter dated 8th May 1996 (the "Letter") enclosing a press release issued on 3rd May 1996 (the "Press Release"), Royal Insurance Holdings plc (the "Company") notified its shareholders that, in connection with the proposed merger between the Company and Sun Alliance Group plc ("Sun Alliance"), a scheme of arrangement under Section 425 of the Companies Act 1985 is to be proposed in relation to the Company pursuant to which all the issued share capital of the Company will be cancelled and re-issued to Sun Alliance and Sun Alliance will issue new shares to former shareholders of the Company. A copy of the Letter and the accompanying Press Release can be obtained from the offices of the paying agents specified below.

Details of the proposals to be made to the holders of the Bonds referred to above will be notified to holders of the Bonds in due course in accordance with the terms of the Bonds and will also be available from the offices of the paying agents specified below.

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COMPANIES AND FINANCE: ASIA-PACIFIC

News Corp shares slip in response to earnings fall

By Nikki Tait in Sydney

Shares in Mr Runert Murdoch's News Corporation fell almost 3 per cent yesterday after the media and entertainment group announced a sharp decline in after-tax profits for the three months to the end of March - from A\$251m (US\$200m) in the period a year ago to only A\$77m this time.

The fall, however, was mainly caused by a A\$204m abnormal item - compared with a A\$40m charge last time resulting from losses on the sale of the educational bookpublishing interests to Pearon, which owns the Financial Times, for US\$575m in Febru-

ary. The lower third quarter result brought the profit after tax and abnormals for the first nine months of the financial year to A\$779m, compared with A\$1.07bn in the first three

India's National Stock

Exchange is canvassing local

and foreign financial institu-

tions to determine a list of the

first 100 Indian stocks to be

admitted to what the Bombay-

based exchange hopes will

become the country's first

Mr R.H. Patil, NSE managing

director, believes the exchange

will have a software package ready by September and could

begin automated, book-entry

share settlement operations in

October, provided India's next

government does the necessary

He said the list of the first

100 stocks would be complete

by next month. Mr Patil said

the NSE, which is partnered in

the depositories venture by the

legal groundwork in time.

automated share depository.

in New Delhi

quarter profits were also lower - but by a much more modest 3.4 per cent. News made A\$281m, down from A\$291m in the third quarter of 1994-95. This left the nine-month profit figure at A\$944m, compared with A\$964m previously.

Revenues for the third quarter were up from A\$2.88bn last time to A\$3.05bn and for the nine months down from A\$8.97bn to A\$9.83bn. Earnings per share after nine months, before the abnormal charges, were down from 33 cents a year ago to 30 cents. News said most of its busi-

ness divisions posted gains. There was a strong performance by the film unit, which saw third quarter operating profits rise from A\$48m a year ago, to A\$63m - helped by good box office returns for Waiting to Exhale. Broken Arrow and Broveheart.

India's NSE builds stock

list for automated system

the Unit Trust of India, the big-

gest mutual fund, were "eight

to nine months" ahead of rival

consortia aiming to establish

tory to supersede the cumber-

some, costly and erratic system

tlement is expected to do more

than any other single reform to

improve the efficiency of

Indian equity markets. It is

also likely to trigger much big-ger inflows of foreign portfolio

investment, notably from US-

ordinance last year permitting a system of multiple deposito-

ries. This has since lapsed and

would have to be renewed by

India's next government, being

decided in elections this week,

and put into law by the new

The government issued an

of paper-based trading and set-

Creation of a share deposi-

depositories.

based funds.

Industrial Development Bank of India, the country's biggest foresee no political opposition.

The newspapers division also

Before abnormals, third held steady overall, at A\$117m for the quarter - from A\$116m - despite absorbing the large paper price increases. In the UK, the newspaper interests posted an 8 per cent improvement in operating profits, but the Australian business fell 4

per cent. There was a weak performance by the TV division, where third quarter profits slipped from A\$113m in the third quarter of 1994-95 to only A\$77m this time. News said this reflected lower earnings at both Fox Broadcasting in the US, where higher licence fees and promotional costs cut margins, and at its Hong Kong-based Star TV business.

Third-quarter interest charges rose A\$140m to A\$160m.

The size of the abnormal item surprised some analysts, as did the weakness on the television side. News shares closed down 19 cents at A\$7.01.

said the NSE, which began

operating as a rival to the Bombay Stock Exchange in

1994 and is owned by 20 Indian

financial institutions, had

shortlisted two technical sup-

pliers from Sweden and Bel-

had written to the biggest

equity market participants ask-

ing each which stocks they

would like to see as part of a start-up depository. He said that only 100 stocks would be

admitted initially, but added:

We hope this will neverthe-

less be able to cover 50 per

cent of the stock float in the

In the past year the NSE has

risen in the last year to become

India's chief equity exchange.

In the past six months NSE

volumes had surged to average

three time those of the Bombay Stock Exchange, Mr Patil said.

market.

Mr Patil also said the NSE

gium for the depository.

NEWS DIGEST

Reliance net profit **up 22.6% for year**

Reliance Industries, India's largest private sector enterprise, recorded a 22.6 per cent increase in net profit to Rs13.05bn (\$378m) in the year ended March 31, against Rs10.65bn last

The textiles and petrochemicals conglomerate reported record total income of Rs80.58bn this year, up from last year's Rs73.31hn. Sales increased from Rs70.19bn for the previous financial year to Rs77.86bn. Operating profit rose from Rs16.23bn to Rs17.52bn and cash profit from Rs13.43bn to

Rs16.42bn. Profit available for appropriation for the current year was up from Rs11.27bn last year to Rs13bn. The directors recommended a total dividend payout of Rs2.76bm for the year, the largest in the Indian private sector. Reliance Industries is one of the most widely-owned companies in the world, with more than 2.6m shareholders. The company's net worth stood at Rs84.05bn and total assets

Reliance is setting up a 15m tonnes a year oil refinery at Jamnagar in Gujarat at a cost of Rs870m to supply liquefied petroleum gas, naphtha, gasoline, kerosene, diesel and other important petroleum products to its own petrochemical plants, and eventually for the domestic market. This is part of the company's strategy of vertical integration, under which it aims to be involved in the entire value-added chain - from oil production to the retailing of a variety of petroleum products to textiles. The company is also diversifying into new sectors including energy, infrastructure and natural resources.

Wesfarmers dips at nine months

Wesfarmers, the Perth-based energy and rural products group, has announced a 27 per cent fall in profits after tax during the first nine months of 1995-96. The company said yesterday that it made A\$64.5m (US\$51.6m) in the nine months to the end of March, down from A\$88.5m in the same period a year ago.

It blamed the downturn on the depressed wool market, the drop in beef cattle prices and the slowdown in the house-building sector. Wesfarmers acknowledged that demand for fertilisers and chemicals was likely to be stronger in the final quarter of the current year, but said directors had again downgraded estimates of full-year profits. Shares in the group fell 12 cents to A\$7.75. Nikki Tait, Sydney fell 12 cents to A\$7.75.

James Hardie to close unit

James Hardie, the Australian building materials group, warned yesterday that the proposed sale of its international contracting business had fallen through, with the result that the operation will now be closed down. It expected the closure to result in an abnormal charge of A\$6m (US\$4.8m), bringing to result in an abnormal charges in the year to March to A\$27m.

Nikki Tuit

Ampolex snubs Mobil arm's bid

Ampolex, the Australian energy group facing an unwanted A\$1.5bn (US\$1.2bn) bid from an offshoot of Mobil, the US oil giant, yesterday formally rejected the terms, saying the offer does not recognise Ampolex's strong growth record and immense potential, let alone its specific value to Mobil". It has sent shareholders an "independent valuation report" by Grant Samuel, which puts the value of Ampolex shares at between A\$4.44 and A\$5.91. Mobil is offering A\$4.25 a share.

 R_{2}

Sony charts course for its brave new world

The group is focusing on hardware but building a digital role, says Michiyo Nakamoto

ony, the consumer electronics group which celebrated its 50th anniverSelect (Vor.)

Fields of digital dreams
Select (Vor.) sary on Tuesday, is beginning to write the next chapter in its history. The Japanese group is busy re-shaping itself to ensure its success in a vastly different

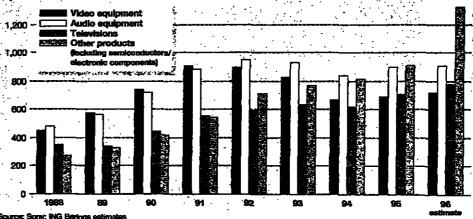
business environment. Earlier this year Mr Nobu yuki Idei, a year in to his job as Sony president, outlined the corporate vision - a company that will "fulfil the dreams of the digital era". Soon afterwards, he announced a shake-up of the group to achieve that vision.

Sony has also agreed an alliance with Intel to enter the PC market, has joined an industrywide alliance to standardise technology for digital video disks and is restructuring its US films operations, removing its former US chief, Mr Mickey Schulhof, in the process.

The flurry of activity suggests Sony is coming to grips with its role in the changing world of consumer electronics. During the past few years, it had looked like a company that

had lost its way. Problems at Sony Pictures Entertainment, its US film subsidiary, which has suffered falling sales over the past two years, resulted in a goodwill write-off. It also had to bend to a compromise after a public argument with Toshiba of Japan and consumer electronics groups over the digital video disc standard.

These were the more conspicuous signs of the difficul-ties facing Sony but at their root were the significant changes occurring in its main consumer electronics markets. Large, lucrative markets, which once seemed to have an insatiable appetite for new electronic goods, have become battlegrounds for brutal pricecutting. At the same time,



analogue technology - long the basis for consumer electronics products - is increasingly being replaced by digital technology.

Sony is a very different creature from the 30-man operation that scored its first success selling radio converters in warbattered Japan and then went on to become the nation's most famous company. It now has 138,000 employees and embraces activities ranging from the production of electronic equipment to musical recordings and film, which created group revenues of Y3,983bn (\$37.9bn) in the year

to March 1995. It was also transformed from a paragon of creativity and entrepreneurial spirit into a bloated, bureaucratic organisation, struggling to maintain sales in shrinking markets.

"Sony employs about 1,000 new graduates annually, which is enough to fill a new building each year," notes one company official. "But it cannot cut staff when things are bad. The dilemma for companies in postwar Japan, including Sony, is that they have to keep grow-

To support an organisation of such size, Sony has struggled to keep production up at all costs. To do so, it adopted an

aggressive pricing strategy that earned it notoriety among competitors. Sony "drove competitors. Sony prices [of laser disc/CD players] so low . . . that any sense of quality premium that the Sony brand enjoyed in the Japanese market was all but extinguished," says one analyst.

hile the problem of weak prices persists, particularly in the mature audio market, the environment is looking decidedly better for Sony.

The consumer electronics market is expected finally to start expanding again with the emergence of new multimedia products, such as digital video disc and multimedia PCs, based on digital technology.

Sony is no longer on the defensive and claims to have identified its role in the multimedia age. The focus of management energies has, understandably, been on the hardware business, which still generates more than 80 per

cent of revenues. Mr Idei's call to become a company of "digital dream kids" that will satisfy the desires of other "digital dream kids" provides the strategic vision while the latest restructuring offers the framework to achieve that goal.

The shift to digital broadcasting in the US and Europe, for example, "will affect our way of making products in very fundamental ways," points out Mr Idei. To cope with such changes. Sony is building a structure that can deal with the shift to digital technology", he explains.

The strong emphasis on components is part of that structure. Even in the new markets, the ability to cut production costs by sourcing important rivals.

components in-house will be a crucial determinant of success. says Mr Masashi Kubota, industry analyst at ING Barings in Tokyo.

Sony's particular strengths in encoder/decoder technology, disk drives, optical pick-ups and lithium ion batteries strengthen its ability to become a leading provider of digital products.

Meanwhile, rather than pursue elusive synergies between its hardware and software business, the company is now "simply trying to establish a stable profitable organisation in each of its key businesses: electronics, music and films." Mr Kubota says.

The film business is being restructured to concentrate on generating profits through reliable projects, such as TV programmes, rather than highrisk, high-budget movies, analysts note. Its music business has generally provided stable profits.

The greatest test of Sony's success in fulfilling its digital dream is likely to come through its alliance with Intel to produce a PC for home

As PCs increasingly become household items, Sony sees an opportunity to enter the home PC market. Since most people find it difficult to use today's PCs without intensive instruction "it is inconceivable that PCs will enter the home in their present form". Mr Idei believes. "We hope to make

PCs that people can enjoy."

Given the strong reputation it has built in the past 50 years, Sony seems well placed to succeed in the multimedia world. But the further it goes beyond its traditional borders in search of its digital dream, the more daunting the competition it faces from unfamiliar

Indosat posts 8.7% rise in opening quarter

By Manuela Saragosa in Jakarta

Indosat, the Indonesian state-controlled international telecoms carrier, lifted 1996 firstquarter net profit by 8.7 per cent, boosted by an 18 per cent increase in its international traffic volume.

Net income in the quarter

totalled Rp114.6bn (\$49.2m), compared with Rp105.5bn last time, while operating revenues increased from Rp238.8bn to Rp278.1bn, with 14.8 per cent of

the advance coming from inter-national telephone revenues. Indosat's first-quarter traffic

figure was slightly skewed by the inclusion of telephone traf-fic at special rates between bordering cities, such as Batam island, off Sumatra, and Singa-pore, which accounted for about 3m of the 134.7m min-utes in total international traffic in the first quarter.

Net of this figure, interna-tional traffic grew by just over 15 per cent, which is consistent with Indosat's traffic growth

for the whole of 1995.
The company's results came in slightly above market expec-

tations, but there is still concern about the amount of mar-ket share Indosat is losing to Satelindo, a global system for mobile operators. It competes with Indoset in providing international direct dial services, although indosat does have a minority stake in the system.

Indosat estimated that underlying growth in international telephone traffic for the whole market was about 24 to

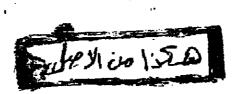
25 per cent, implying Satelin-do's market share gained between 8 and 10 per cent in the first quarter.
Satelindo's market share in

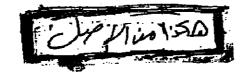
1995 is estimated to have been 7.7 per cent. Indosat's expectation is that by the end of this year Satelindo will have between 10 and 12 per cent of the market.
Indosat is also selling 2.5 per

cent of its minority stake in Telkomsel, a GSM mobile phone operator in which PTT of the Netherlands recently acquired a 17.3 per cent holding for \$304m. It expects to raise between

\$40m and \$50m to prepare fin-ancing of the new PCS/PCH high frequency - cellular ventures.

Meanwhile, Telkomsel's GSM service is due to be launched in Jakarta - the main market for GSM cellular services - in June this year. Indosat esti-mates Telkomsel's subscribers will rise to 120,000 at the end of 1996, compared with 55,000





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Marketing plans and loyalty card aimed at regaining market share

Sainsbury's 22-year run ends

By Christopher Brown-Humes

underlying profits in 22 years as a public company. But the supermarket group said it aimed to recapture lost market share with new marketing initiatives and a loyalty card.

The group, knocked off top slot by Tesco in the last year, Said pre-exceptional profits fell from £808m to £764m (\$1.15bn) in the year to March 9. Relief that the figures were not worse and the promise of a fightback helped the shares rise 15p to 372p after a long period of underperformance.

The centrepiece of the fightback will be a loyalty card, reversing the group's staunch opposition to the concept and acknowledging the successes achieved by Tesco and Safeway with their versions of the card. The group said it was strengthening management by

appointing a chief executive of new businesses and said it would step up the conversion of its Texas DIY stores to its A credit card would follow. successful Homebase concept. Successful Homebase concept. Sainsbury warned trading "These initiatives suggest the remained "extremely competi-

group has regained some of the sense of direction which has J. Sainsbury yesterday been lacking over the last announced its first fall in year, said one analyst.

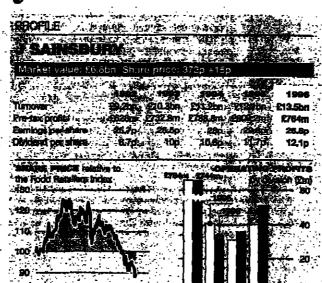
to 12.5 per cent, while Tesco's has surged from 12.4 per cent

to 13.9 per cent.

While Tesco saw UK like-for-like sales rise 8.9 per cent last year, Sainsbury's sales climbed only 2.6 per cent. Tesco has gained a reputation for being more dynamic and innovative in a mature market, with its highly successful Clubcard attracting 8m users,

Mr David Sainsbury, chairman, admitted the group had made mistakes. He said it had not moved quickly enough to get out a loyalty card in the right form. The market was relieved that

Sainsbury was attempting to regain market share with a loyalty card rather than cuttin prices further. The group did not say how the card would work but said it would be launched within two months.



tive" and expected no early improvement in its gross mar-gin, which fell 0.7 percentage points in the second half of last year. Like-for-like sales rose only 3 per cent in the opening weeks of the current year -

well below the 7 per cent achieved by Tesco. The group said it had not regained market share despite price promotions since January, but it had stabilised its position.

Royal Bank plans to increase its diversification

and Raiph Atlans

Royal Bank of Scotland aims to make 20 per cent of its profits its traditional banking and insurance core by 2000.

Mr George Mathewson, chief executive, announced the goal yesterday as the group reported profits up by 11 per cent at £301m (\$455m) before tax in the six months to March

The improvement was achieved despite a sharp fall in profits from Direct Line, the telephone insurance sales subsidiary. After a decade of growth, its profits fell from £45m to £5m.

Direct Line blamed bad win-

ter weather, particularly in Scotland and the north of England. But it also said downward pressure on premiums had lopped £25m of its profit figures. Mr Mathewson predicted a "return to substantial profits in due course".

back, Mr Mathewson said RBS could repeat its success in markets such as credit cards and talephone sales of mortgages

"We believe we can do well despite, and indeed because of, our limited market share. Companies with large market shares and high margins will find it difficult to compete with new entrants because of the damaging effect on their bot-tom line."

New businesses such as Direct Line's range of mortgages and deposit products sold over the telephone, the Ibos electronic payments network or a direct motor insur ance venture in Spain contributed £20m

The traditional banking business provided the strong core to the first-half performance. Profits from UK banking rose 23 per cent to £246m, while the contribution from Citizens Financial, its US retail banking side, almost doubled to £97m.

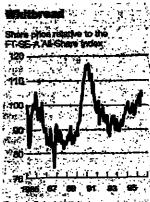
LEX COMMENT Whitbread

There may be few signs of a pick-up in UK consumer spending to drive profits at Whitbread's pubs, restau-rants and hotels, but its aggressive capital expenditure programme is doing the trick instead. Returns on investment in new or refur-bished pubs and restaurants significantly exceed the cost of capital, with pubs generating annual returns of between 15 and 17 per cent.

Capex is due to rise from £345m to more than £400m

this year, and this should

drive profits further. Of



course. Whithread has led the rush to develop new pub concepts, and as competitors catch up, there is a risk that returns will come under pressure. But with consumers feeling the benefits of tax cuts and building society pay-outs, the outlook remains positive. Whit-bread should derive a third of profits from pure leisure businesses this year, but the unfashionable brewing operations provided the unexpected cheer yesterday. Second half brewing profits grew by about 15 per cent, with prices to both pub operators and retailers finally stabilising. Carlsberg-Tetley is set to add to the surge of consolidation in brewing, so the

outlook for pricing is increasingly favourable.

Even so, Whitbread is trading at an 11 per cent premium to the market average p/e ratio for the current year. This is roughly in line with Bass and Scottish & Newcastle, yet its profits growth is likely to be slower. S&N is pushing through cost savings from its Courage acquisition, while Bass's pub estate is in dramatic catch-up mode and the purchase of Carlsberg-Tetley could further enhance earnings. Whithread's

Panel attempts to clarify Lucas plans

By Tim Burt

The Takeover Panel yesterday tried to defuse the bid speculation over Lucas Industries by persuading the automotive and aerospace equipment manufacturer to issue a statement denying that its talks with Varity Corporation of the US could lead to a takeover of the UK

Shares in Lucas fell 61/4p to 227p after the company said its discussions were not expected to prompt a bid by Varity. North America's largest brakes manufacturer.

Earlier this week, the two companies said they were in talks that could lead to a full merger or strategic combination of some businesses. Varity and Lucas yesterday denied

The panel, however, warned Lucas it would impose an "offer period" on the company, forcing it to issue details of

share dealings, if it failed to issue a statement. Some analysts accused the panel of muddying the waters, with one claiming that yester day's statement would only

confuse investors. So far, the two companies have described the talks as pre-liminary and indicated that while they could lead to a full merger, they might also result in no more than a joint venture agreement on the brakes

Lucas is one of Europe's largest manufacturers of foundation brakes. Varity, which for-merly owned Massey Ferguson, has a dominant position in anti-lock braking systems in

Zeneca sells textiles colours to BASF

Zeneca is to sell its textiles colours business to BASF, the German chemicals and drugs company, for up to £150m (\$226.50). The deal completes the disposals of poorly performing businesses announced by Zeneca on March 7. The company said yesterday no further dispos-

The textile colours business had sales in 1995 of £202m and will transfer net assets

of about £65m to BASF. Zeneca had dis- agrochemicals and specialist chemicals. cussed the business with several European chemicals companies.

This includes sites at Ellesmere Port in

the UK, Jacarei, in Brazil, and a US warehouse, mixing and re-packing plant in Charlotte, North Carolina. About 780 Zeneca employees will trans-

fer with the busines Zeneca, which is best known for its pharmaceuticals, also has businesses in agricultural sciences, such as seeds and

It will be integrated into BASF's textiles and leather dyes division.

The acquisition will move BASF into third place among the world's textile dye producers. The addition of Zeneca's products will expand BASF's business in dyes for cellulosic fibres in particular. The payment of up to £138m in cash,

depends upon, among other things, a stock count, plus net working capital val-

Weak US hits shares in Tate & Lyle

By Roderick Oram, Consumer Industries Editor

A warning from Tate & Lyle yesterday that increased US corn processing capacity and surging corn prices would dent annual profits triggered a sell-off in its shares and cuts in

against previous forecasts of flat profits. Investors were also disappointed that Tate lifted its interim dividend by only 6 per cent to 5.3p.

Pre-tax profits for the 26 weeks to March 30 rose 10 per

last year's £311m (\$470m)

analysts' forecasts. cent to £168.2m, broadly in line cost of securing supplies as

The shares closed down 14p with forecasts; Weakening prices rose rapidly was a key
at 462p; as analysts said pre-tax "profits from US corn starch" factor behind a £254m increase

emerging markets.

Staley, Tate's US corn starch and sweetener producer, had hedged all its corn supplies for the rest of the financial year to September, Sir Neil Shaw, chairman said. However, the

profits would fall £20m short of and sweeteners were offset by in first-half working capital rising profits from Europe and and a £284.9m rise in net debt to £915.8m.

Analysts suggested, however, that competitive pressures from excess capacity rather than the price of corn was the real threat to profits. Sweetener prices are set in industry-wide annual negotiations led by Tate and the three other main producers.

Whitbread plans further spending

By Roderick Oram,

Whithread plans a near 20 per cent rise in capital spending on its pubs, hotels and restaurants this year to help it sustain profits growth which is among the best in its sector. The brewing and leisure group reported yesterday an 11

per cent increase in pre-tax profits to £283.1m (\$428m) for the 53 weeks to March 2 All divisions contributed to the growth which was slightly ahead of forecasts. Roughly half the profits rise

came from organic growth and half from the acquisition of Marriott hotels in the UK and David Lloyd sports clubs. Capital expenditure, exclu-

ding acquisitions, should rise from £345m to "a little over £400m this year" Mr Peter Jarvis, chief executive, said. Pub profits, for example, benefited from "our strategy of new, large, contemporary outlets".

Whithread Inns, its managed pubs, lifted operating profits 13 per cent to £129m within which food profits rose 20 per cent. On average, one of its pubs sells about £100,000 of food a year compared with an industry average of £59,000. Total turnover including drinks averaged £384,000 against an industry average for managed pubs of £359,000. "Everybody is piling into food so we'll have to work hard

to keep in front," Mr Jarvis

The risk behind Olayan's bets

Roula Khalaf and Samer Iskandar analyse the National Grid deal

ment outlook with George Soros's appetite for risk and you get an idea of what Saudi billionaire and financier Suliman S Olayan is about. Mr Olayan made headlines last week when he entered into a derivatives transaction with HSBC James Capel to hedge the stockbroker's risk in the purchase of 210m National Grid spares from Hanson, the

industrial conglomerate.

The move raised questions about foreign intrusion into the UK utilities sector and led to speculation about a possible takeoyer. But what lies behind Mr

Olayan's decision to invest in the Grid is typical of the way this contrarian value investor Mr Olayan is known as a long term friendly investor who looks for sectors he under-stands and for companies with

stable businesses and management, but which are undervalued by the market. He has increasingly developed the reputation of an investor who resorts to sophisticated financial engineering to take big gambles on stocks he

likes.
At the 192%p a share that
Capel paid Hauson, the Olayan
Group believes the stock to be undervalued and the risk of a drop in the price minimal. And instead of buying the stock outright, it has used derivatives to enhance its return. Neither James Capel nor

RESULTS

ombine Warren Buf-fett's long term invest-have been structured according to equity derivatives spe-

call option, which allows its

The aim is that James Capel and Olayan "share the upside". The stockbroker is believed to have sold an over-the-counter

The 77-year-old Mr Olayan has come a long way. From middle class beginnings in Saudi Arabia, he has built a group which has become an influential investor on world markets.

Mr Olayan started his career

Suliman S Olayan is known as a long-term friendly investor who looks for sectors he understands and for undervalued companies with stable businesses and managements

holder, in this case the Olayan Group, to benefit from a rise in National Grid's share price. Such options are often leveraged, so holders receive a multiple of the profit they would have achieved by buying the underlying share.

In order to underwrite Capel's downside risk from owning the shares, equity derivatives traders said this deal probably involved Mr Olayan selling put options to Capel – in effect agreeing to bear the loss if the stock drops below a predetermined level.

The structure of this arrangement reflects both Mr Olayan's appetite for risk-tak-ing and his bullish expectations on National Grid. Furthermore, Mr Olayan seems to have accepted a substantial Olayan will comment on the details of the transaction but downside risk, showing that he considers this occurrence

nearly 60 years ago as a truck dispatcher for Aramco, the Arabian American Oil Company. He then set up a company to import oil equipment and won a contract for part of Aramco's first big trans-Arabian oil pipeline. Today, with a fortune estimated by Forbes Magazine at \$3bn he is Bechtel's joint venture partner in Saudi Arabia and his businesses include licences for Colgate-Palmolive, Coca-Cola. Kimberly-Clark and Burger

King. But his operating businesses are dwarfed by his invest-ments, which include an estimated \$300m-plus portfolio on the Saudi stock exchange.

Mr Olayan seems to have a penchant for financial services stocks. As a former bank chairman in Saudi Arabia, he knows the business well. When the

market was down on bank stocks in 1991, Mr Olayan chose to increase his stake in Chase Manhattan to 5 per cent. He made headlines in 1988 when he provided \$600m in bridge financing to facilitate the merger of First Boston with Credit Suisse First Bos-ton. Today he also has stakes in JP Morgan and Transamer-

Mr Olayan knows a thing or two about the energy sector, baving been an investor in Mobil Oil and Occidental Petroleum. He has made clear that he has no intention to gain control of National Grid. What his group sees in the Grid is mainly a stock market play: it views the UK transmission company as an undervalued utility stock with a very good yield and more than 7 per cent forecast annual dividend

Olayan is believed to have been eyeing the Grid for a while, but to have balked at the price at which Hanson was peddling the stake last year. Olayan has taken an interest in the shares through other derivatives transactions in the

past few months. HSBC is the Olayan Group's main banker and last week was able to agree a deal with Hanson whereby it would buy the shares at 192%p, about 3 per cent below the then market price. James Capel is the owner of the shares and even if it sold them, as long as the derivatives contract has not expired, Olayan would still maintain its economic exposure to the company.

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THE FIRST PRIVATISED PASSENGER RAIL FRANCHISES

SWT

Sale of South West Trains Limited Stagecoach Holdings pic

Great Western Sale of **Great Western Trains** Company Limited to management backed by FirstBus plc and 3i Group plc



Sea Containers Limited

Limited

GATWICK EXPRESS Sale of **Gatwick Express** Limited National Express Group Plc

Financial adviser to The Office of Passenger Rail Franchising



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Airport belt in the bag

omputerised baggage handling systems have had a had name since the 1993 opening of Denver airport was delayed by serious glitches with its baggage technology.

technology.

But Matflex, a French handling equipment manufacturer, believes it has designed an electronic handling system that will be more reliable than its predecessors. Its Telebag system is going to be installed at Jersey airport next year.

The Telebag system uses individual, low-slung carts - known as "destination coded vehicles" - for each passenger's luggage. The electronically coded carts run on an aluminium track using linear motor technology at a speed of up to 5m per sec-

The baggage is loaded on to the cart near the check-in desk, where the cart is coded with information about the passenger and the flight number. The carts are guided by a management control system linked to process logic controllers on the track, which direct them to a point where they can be loaded on to the aircraft.

Jean Sebillaud, technical director of Matflex, believes that breakdowns will be rare because the system has only seven moving parts. The system should not grind to a halt even if a cart breaks down because a functioning cart would be able to push the faulty one out of the

yay.

Jersey airport believes that its system of 40 carts, which will cost £750,000, will be 30 per cent cheaper to run than a conventional conveyor belt system.

It will cut costs and energy consumption because the number of carts can be tailored to demand. "We want to use the best system available that can meet quite different demands at different times," says Michael

Lanyon, airport director.

If the Matflex system lives up to its promise, the airport should be able to transfer bags more quickly, cheaply and accurately.

Vanessa Houlder

t Siriol Productions' animation studios by the docks in Cardiff, the computers are no longer switched off at night. Instead, a program takes advantage of the unused computer power on the company network to colour and shade the newly drawn cartoons and introduce special effects.

duce special effects.

The recently installed software saves money and time. When this painstaking, time-consuming, work was done by hand, it was one of the slowest parts of the cartoon production process. By computerising the process, costs have been cut from £2,000 per minute of the cartoon to £300 per minute; the time taken to make a 10-minute cartoon has been reduced from months to weeks.

What makes this example of computerisation interesting is its speed. A conventional computer program would run extremely slowly since animation – which often involves 500 images per minute – requires vast amounts of processing power. But in the case of Siriol, its eight

Pentium computers are linked together in parallel in a network. The software divides the workload so that the computers work three to four times faster together than they would separately.

This ability to work in parallel is the result of a European Commission sponsored collaboration between Siriol, Perihelion, a software company, and Cambridge Animation Systems, the owner of the original software called Animo. At a cost of £500,000, it "ported" or recast the original software so it would run on a parallel system.

All three companies are pleased with the results. Lynne Stockford of Siriol Productions describes the savings that have resulted from the savings that have resulted from the Animo program as "a revelation". "Going parallel on cheap computers really is the answer," says Peter Stansfield, consultant to Cambridge Animation. Since getting involved in the project, it has sold several hundred of the Animo systems to the Dreamworks and Warner Bros studios.

The European Commission, which half funded the project, is also enthusiastic, treating the Animo program as a showpiece in its Ecu20m (£16m) Europort project. This project, which is part of the Esprit programme on information technology, is designed to foster greater availability and take-up of programs that can run in parallel.

Its enthusiasm for parallel processing is based on the idea that it is a relatively cheap method of securing high-performance computing. Parallel processing machines can be made by linking dozens, sometimes even thousands, of inexpensive industry-standard microprocessor chips. In certain cases, such as that of Siriol, it can be achieved by the even cheaper approach of linking



Working in parallel: Siriol's computers have speeded up cartoon production

Going parallel

A cut-price version of supercomputing is within reach, explains **Vanessa Houlder**

PCs or workstations in a network.

The Commission argues that supercomputing is no longer merely the domain of grandiose projects such as nuclear physics and long-range weather forecasting. A cut-price version of supercomputing is within the reach of even small

businesses, it says.

The Commission believes that its role is to make software for parallel processors more widely available. According to Adrian Colbrook, a principal at Smith System Engineering which is managing many of the Europort projects, it is trying to tackle the problem that most avail-

able industrial or commercial software was written many years ago and cannot exploit the capabilities of parallel processors.

Recasting programs for parallel processing machines is time-consuming and expensive. As a result, there is deadlock. Application developers argue that there is no enduser market for parallel code, and end-users feel there are no applications to run on parallel architecture.

The Commission's solution to this conundrum has been to produce commercially usable parallel code that would demonstrate the benefits

of parallel computer technology for a wide range of industries.

It chose 38 programs to be ported. They were tackled by project teams that included the owners of the program, the parallel software experts, and end-users including ABB Robotics Products, Agip, Bayer. ICI, Unilever and Zeneca. The resulting code has been tested and compared on the whole range of parallel machines available, from workstation clusters up to massively parallel processors.

Parallel processing is not the answer to all computing problems. The type of application involved in Europort typically involves heavy, mathematical computation, and moreover lends itself to being split into discrete tasks, which have minimal need for interaction during processing.

Applications range from relatively traditional uses for parallel processing such as fluid dynamics and structural mechanics to less common ones such as earth obser-vation, radiotherapy, network simu-lation and drug design. For example, E. Merck, the German pharmaceutical company, Parsytec, the manufacturer of parallel computers and the European Molecular Biology Laboratory worked on porting "MaxHom" software. This technology searches protein databases for information that relates the sequence of amino acids (chemical units) in a newly discovered protein to known protein structures. Thus, it allows researchers to build mod-els of the three-dimensional shapes of protein molecules. Now that the software can run in parallel, it delivers answers to complex searches in minutes instead of sev-

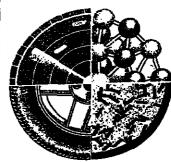
But the Commission's role is controversial. Its record in promoting supercomputing hardware in Europe has largely been unsuccessful. Some critics believe that its efforts at promoting parallel processing software will at best, be an irrelevance.

Jane Doorly, director of systems software and services at Dataquest Europe, the research group, suspects its work is unnecessary. "Most of the major software codes have been ported, or are in the throes of being ported," she says.

throes of being ported," she says.
Furthermore, she does not believe
that companies need to be convinced about the merits of parallel
processing. "Most users already
know the benefits of parallel
systems," she says.
But those involved in Europort

disagree. Agnes Bradier, a project officer, believes that the benefits of parallel processing could reach a much wider audience. "We are taking massively parallel processing out of the laboratories and putting it on the desktops of the small- and medium-sized enterprises," she says.

Worth Watching · Vanessa Houlder



'Lefty' gene points way on asymmetry

Why is the heart on the left side of the body? Until recently, there have been few clues to the molecular basis of this kind of

asymmetry.
In Nature magazine today,
Japanese scientists at the Tokyo
Metropolitan Institute of Medical
Science and Osaka University
describe a gene called "lefty" that
could be responsible for left-right
asymmetry. It appears to produce
a hormone that guides the
formation of tissues and organs
by its concentration gradient.

The "lefty" hormone appears in a transient and asymmetrical fashion in the mouse embryo before the first signs of asymmetry emerge. In mutant mice, where the organs are laid out in a mirror-image of the usual plan, the pattern is reversed.

Nature also publishes reports

Nature also publishes reports from scientists at Harvard University and the National Institutes of Health who have described another gene, "nodal". It too appears to have an important role in determination of left-right asymmetry.

Tokyo Metropolitan Institute of Medical Science: Japan, tel 68797994; jax 68789846. Optical switch's potential for storage

The Georgia Institute of Technology is working on a light-activated optical switch that could ultimately be the basis of a miniaturised data storage system.

miniaturised data storage system.
Previous attempts to make optical switches have used irreversible photochemical changes to store information, meaning that data could be written to them only once. But Georgia Tech can make the system rewritable, which could make the switches valuable for storing computer data.

The switch is based on left- and

right-handed molecules which are

affected differently by varying forms of polarised and impolarised light. The system, which is many years away from a practical application, would be able to store data in three dimensions, allowing large amounts of information to be packed into a small space.

Georgia Institute of Technology: US, tel 4048943444; fox 4048946983.

Bicycle shed's high-tech treatment

A high-tech, space-saving bicycle shed is to be built at a railway station at Krefeld, near Düsseldorf. The Fraunhofer Institute for Material Flow and Logistics has adapted warehousing technology in its design. The bicycle owner takes a ticket from a machine that opens the shed. The bicycle is secured using a wheel clamp and carried on a carousel to a storage level. The system can store 3.000 bicycles on several levels.

Fraunhofer Institute for Material Flow and Logistics: Germany, tel 2319743217: fax 2319743336.

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Geographic data more available

Many businesses find computerised geographic information systems helpful when analysing data by locality or region. But making full use of Gis often requires specialist programming skills. Kingswood, a UK Gis specialist, and Alsoft, a French developer, hope to bring Gis to a wider audience by launching the UK version of Geo Concept, a geographical information system that can be linked to a company's existing databases and spreadsheets without expert programming. Kingswood: UK, tel (0)181 994 5404; fax (0)181 747 8047.

Keeping tabs on food temperatures

Food retailers will be able to review the temperature of food on its journey to the supermarket with an electronic system. The Temperature Tempit Logging system, developed by J. Sainsbury and Industrial Electronic Automation, consists of a plastic tag that records temperature data which can be linked to a PC and read on arrival.

J. Sainsbury: UK. tel (0)171 921 6000; fax (0)171 921 0156.

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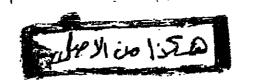
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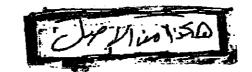
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COMMODITIES AND AGRICULTURE

of copper market squeeze

Mining Correspondent

THURSDAY MAY 9

Vanessa Houlde

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The London Metal Exchange board took action yesterday to limit the impact of a technical squeeze rapidly developing in its copper market. Traders suggested that US hedge and commodity funds were on the wrong end of the squeeze and were likely to suffer big losses after going short - selling metal they did not own in the expectation that they could

buy later and make a profit.

The LME imposed a limit on the cost of carrying forward a short position for one day. From today holders of short positions who are unable to deliver copper must pay a penalty of 1 per cent of the previous day's official settlement price. Yesterday's settlement

price was \$2,838 a tonne. metal) had risen to \$320 a Before the LME's action it was costing about \$2 a tonne to carry forward a short position for a day but this increased to \$3 shortly afterwards. Analysts were surprised by

the intervention. One suggested: "We can only assume that Mr King [Mr David King, the LME chief executive) saw something in the confidential daily reports from brokers which alarmed him and the action was to pre-empt a disorderly situa-

They pointed out the board had not taken action at times when the copper squeeze had seemed to be more severe - for example in December when the backwardation (premium for copper for immediate delivery compared with three-month

Last night the backwardation was \$147.75 a tonne after cash copper closed up \$53 at \$2.845.25 while three-month metal was \$2,697.50, up \$34.50. Mr King refused to be drawn about the reasons the board acted after its scheduled mouthly meeting. He did refute suggestions that the exchange had "baled out the shorts." He said: "We have never baled

anybody out and we will not while I am chief executive". Analysts said a strike at Chuquicameta in Chile, the world's biggest copper mine, problems at RTZ-CRA's new Bingham Canyon smelter in the US and low stock levels were combining to make consumers nervous about copper

Cocoa body predicts surplus

The first cocoa production surplus in five years was predicted yesterday by the International Cocoa Organisation.

The organisation, which represents both consumers and producers, forecast a small surplus of 10,000 tonnes this year, ending a four-season sequence of production deficits. In December it forecast a deficit of 80,000 tonnes for this year.

Its prediction was based on expectations of dramatically higher production in West Africa in the current year, ending September, which outweighed forecasts of record

The London-based ICCO said production had been revised up by 119,000 tonnes from its December forecast to 2.66m tonnes.

"The overall increase reflected mainly better than anticipated crops in the West African region, particularly in the two leading cocoa-producing countries," it said. Output from Ivory Coast, the

	World Cocoa Balane	ce (*000 tonnes)	
- -	Net Crop	Grindings	Surplus/ Deficit
1995-06	2,637	2.627	+10
1994-95	2,308	2,582	-223
1993-94	2,443	2,493	-50
1992-93	2,358	2,407	-49
1991-92	2,255	2:322	-67
1990-91	2.482	2,335	+147

world's biggest producer, was forecast at 1.05m tonnes, up 100,000 tonnes, while Ghanaian production was now expected to be 375,000 tonnes, or 45,000 tonnes higher than the previous forecast. The forecast for Nigeria was

up 5.000 tonnes to 145.000 tonnes. But the ICCO lowered its forecasts for Malaysia and At the same time, cocoa bean

grindings, which represent consumption, was put at a record high of 2.63m tonnes, an increase of 27,000 tonnes over the December forecast.

In Europe, the organisation predicted that the Netherlands and the UK would each use 10,000 more tonnes than previously forecast at 380,000 tonnes and 170,000 tonnes respec-Grindings in Ivory Coast and

Ghana were also expected to be significantly higher. The ICCO said total stocks overhanging the market excluding its own declining buffer stock - would be 1.11m tonnes at the end of the year. This was the equivalent of just over five months of projected

annual consumption

LME acts to limit impact | Crop scouts view America's bitter harvest

The damage is more extensive than agronomists had expected, writes Laurie Morse

the length and breadth of Kansas last week, seeking evidence that the state's beleaguered wheat crop might have the potential to recover. Crop scouts hoped to find that wheat in at least the northern portions of the state had caped the havoc wrecked by

six months of drought and fickle winter weather. Instead, said Mr Ben Hand-cock, President of the US Wheat Quality Council, and a farmer who has been looking at wheat all his life: "The situation was the worst I've ever seen, and far worse than the poor crop of 1989. . . We expected to find a lot of bad wheat, but personally I didn't believe it was this bad. It is."

Damage was more broadly distributed than agronomists had expected, and the potential for the wheat - a resilient plant - to recover was deemed

Kansas, which usually produces three quarters of the reacting to those reports by

crop since 1963. Although ana-racheting up prices for other cent complete nationwide, lysts who toured the state last grains, like malze, as well compared with a five-year week gave widely varying esti-

'The situation was the worst I've ever seen, and far worse than the poor crop of 1989.

mates of a notential harvest the crop has just emerged from dormancy, and won't produce grain for another month - the consensus estimate was a mere 170m bushels, far below last year's rather poor production of 286m bushels, and less than half the state's 5-year average of 367m bushels

The Kansas wheat tour served to confirm what the US Department of Agriculture has been saying in regular weekly bulletins since early March, that more than half of this year's US winter wheat crop a bread making wheat popular for export - is in poor condition. Grain traders have been

been considered a "weather point in the season." market", with traders betting that rain could improve the harvest. Now, however, tour participants say that farmers will abandon millions of acres of wheat fields and if rains do come in the next few weeks the improved moisture will simply prompt growers to rip up marginal wheat stands to plant summer-growing sorghum.

Weather will continue to rule wheat prices in Chicago because marginal production in the southern plains could still be offset by a bumper crop of spring-planted wheat in more northern states. However, spring wheat seedings are being slowed by rain and cool

The USDA will release it own first estimate for US winter wheat production tomorrow. Market analysts expect the agency to sharply reduce its forecast for harvested acres, though many do not expect the USDA to peg Kansas produc-tion below 200m bushels just yet. In the wheat production equation, they say, the unknown factor in the US southern plains is just how many of the 11.6m acres of winter wheat planted last fall will

For winter wheat growers, the onset of new farm legislation this year will almost certainly preclude special disaster

be abandoned.

Several dozen of the nation's hard red winter bidding up harvest-time prices weather. As of Sunday, spring assistance Most were required nation's top wheat wheat, is facing its smallest by more than 20 per cent and wheat planting was only 22 per to purchase some level of crop experts farmed out across crop since 1963. Although anarracheting up unices for other cent complete nationwide, insurance last year by the government. "Its going to be another lean year," says Mr Terry Kohler, manager of the Farmers Co-op Elevator in Garden Plain, in South Central Kansas, "the insurance will just about cover people's planting costs, but nothing more."

In Kansas cattle rearing usu-

ally helps round out the farm budget, but the business has been unprofitable this year. Wheat makes up only a tiny portion of the cost of a loaf of bread or a box of breakfast cereal, so economists are not predicting significant food inflation as a result of low worldwide grain stocks_and historically high prices. How-ever, countries accustomed to using low-quality wheat as animal feed will be badly affected by short world wheat supplies. "Countries in Europe and Asia that use low grade wheat for feed will be first affected," says Mr Warren King, a wheat mar-

ket analyst for Cargill Investors Services in Chicago.

New Zealand dairy farmers set for bumper year

By Terry Hall in Wellington

New Zealand's dairy farmers can count on handsome returns this season - helped by exceptionally good late season weather, which has led to bum-

per production.
The New Zealand Dairy Board estimates that the average dairy farmer will receive a record payout for this season of around \$NZ4 (US\$2.75) per kilogram of milk solids. This is 60 cents more than last year, which was also considered "good".

The latest projection follows estimates by the board that its total payout this season will be between \$NZ3.55 and \$NZ3.60 a kilogram. On top of that local dairy companies pay "top-up" amounts. While these vary, the average last season was 40 cents a kilogram. The board

will announce its final nav-out decision at the end of this

The financial bonus has come from unexpectedly high production and a combination of skilful international selling and good markets, which has ensured all products will be

The board estimates that production will hit a record of 780m kg. Until last month it had projected 1995-96 season production at around the 760m kg mark.

Board spokesman Mr Neville Martin said this week that farmers had been helped by excellent grass growing conditions throughout the summer and into the autumn - which more than made up for a difficult spring last year. Production had been especially good in the top half of North

disease" in Britain, said Mr new opportunities including Island - in the Walkato, Northland and the Bay of Plenty. It Martin. had been less good in the lower half of the island, including

Taranaki and the Manawatu. Looking ahead, Mr Martin said that the feeling was that farmers might face a modest fall in pay-out in the coming season in spite of expectations of higher production as increasing numbers of farms were being converted to dairying, especially in the lower half of the North Island and in Southland. There had been steady rises in international prices, he added, and the New Zealand industry was confor us." cerned at a possible market

important Venezuelan and Mexican markets had hurt sales. The board was adopting a cautious approach to "mad cow

reaction. Devaluations in the

slightly better access to Europe "There are a lot of imponderand the US.

"We are selling cheeses that ables here. We don't know to have not been seen before in what extent the British will be able to crank up milk producthe States and that are tailored tion after the culling profor American tastes," he said. gramme and in any case Euro-Americans were used to consuming cheese produced from grain-fed beef, rather than pean dairy imports are covered by quotas." However the disease had the potential to mean that Europe would export less grass-fed, and the board had tailored fresh natural cheeses meet that demand. Up to now dairy products - which could New Zealand had supplied proopen greater prospects for New cessing grade cheese to the US. Zealand. "No one is expecting a spectacular improvement in The Gatt settlement had markets overnight, although it

allowed the board to start selling Gouda cheese to the could lead to gradual benefits Netherlands - "a real coals to Newcastle story that one!" -and a specialist New Zealand A board study into how the General Agreement on Tariffs and Trade settlement func-Emmataĥaler cheese was also tioned in its first year showed meeting good demand in it had led to upward pressures Europe. In addition a new maron prices. Mr Martin said the ket in Portugal was being board moved quickly to seize developed.

COMMODITIES PRICES

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Jee	55.20	+0.41	55.60		10.628	
.m.	52.85	+0.27	53.15	52.20	4.619	
Ang	52.35	+0.33	52.50	51.80		13,609
Sho	52.65	+0.33	52,65	52.60	1,842	7,559
Det	53.25	+0.38	53,50	53,15	1,507	4,332
Mor	53.90	+0.43	54.00	53.60	1,108	4,265
Total					26,T76	98,044
E GAS	OIL PE	Stone	1			
	Latest	Day's				Орев
		change	High	L##	Yel	int
May	166,75		169.00	168.25	5,618	7,768
		-	4000	SEA INC.		14 007

186.00 +0.25 166.00 164.25 5,385 14.927 160.50 - 184.00 183.00 13.59 8,330 182.25 - 188.00 161.75 613 6,480 182.25 - 0.25 162.25 162.00 95 3,318 182.75 -0.50 163.00 182.50 85 1,968 M NATURAL GAS MMEX (10,000 mailler; \$/minible.) 2.205 +0.018 2.225 2.190 14,034 28,029 2.240 +0.017 2.260 2.230 8,634 23,096 2.230 +0.025 2.235 2.215 1,850 16,505 2.190 +0.020 2.190 2.175 1,440 14,732 2.190 +0.018 2.190 2.180 1,117 11,580 2230 +0.012 2235 2220 511 7,745 M UNLEADED GASOLINA MYMEX (42,000 US galle.; c/US galle.)

Open High Law Yol int 65.30 - 53.90 SL65

■ WHEAT LCE (£ per tonne) 129.90 -0.50 131.00 130.00 23 478 Mag 132.00 -0.50 133.25 132.00 115 1,850 Jat 116.55 - - 786 Sup 118.15 +0.55 118.25 117.45 335 3,014 Dec 119.90 +0.40 120.25 119.50 26 985 Mar +0.50 122.00 122.00 WHEAT CST (5,000bu min; cents/80to bushel) 884.00 +15.00 885.00 845.00 125 701 \$21.00 +20.00 \$91.00 573.00 11,750 58,462 \$85.00 +20.00 \$95.00 \$60.00 2,035 14,635 \$25.50 +20.00 \$93.00 575.00 3,196 18,973 \$86.00 +20.00 \$96.00 \$77.00 134 1,576 \$20.00 +12.50 \$27.50 \$27.50 29 145 M MAIZE CST (5,000 bu min; cents/56tb bushet) 500.75 +15.50 502.50 486.75 3,000 7,535 474.75 +12.00 474.75 463.50 40,505 184,025 391.75 +11.00 392.75 380.00 9,809 82,387 387,75 +11.00 382,73 383,00 23,112 137,537 346,75 +6.50 341.50 385,00 23,112 137,537 346,00 +6.00 346,50 341.00 1,862 15,257 348,00 +4.75 349,00 345,50 128 1,732 78,077 389,384 # BARLEY LCE (£ per tonne) 116.00 118.00 110.75 112.00 +0.50 111.50 111.50 113.25 -0.25 113.00 112.75 115.25 E SOYABEANS CET (5,000b); prin; centa/90b byshel) 819,00 +8.50 823,00 815,00 5,223 3,721 825,50 +7.25 831,00 818,00 29,451 78,756 824,50 +8.00 823,50 818,00 1,316 11,404 821,50 +7.00 805,50 787,00 485 6,344 789,25 +7.00 783,50 783,50 8,765 72,066 795,25 +8.25 788,50 780,50 135 8,765 72,066 M SOYABEAN OR CET (80,000/be: cents/b)

GRAINS AND OIL SEEDS

19,101 97,372 May Jan Jar Det Jan Apr Total 網

Nuts and Seeds
Prices from Kankko Group; US\$ a tonna. Ira-nien pistachios 29/30 raw (in shell) naturally opened tround; 1985 crop 3/300 CFR/FUT MEP, essy. US almonds (shelled) NPS 20/22 1965 crop availability short; first new crop estimate due after Galifornian Almond Board constitu

■ COCOA LCE (£/tonne) 1072 +39 1073 1058 38 585 1108 +4 1111 1082 3,899 24,827 1288 +2 1129 1170 2,810 45,174 1081 +2 1036 1021 1,846 25,278 1024 -3 1032 1016 554 34,448 ■ COCOA CSCE (10 tonnes; \$/to 1368 55 137 1362 2,739 31,825 1378 819 18,312 1392 268 17,517 1402 229 13,911 1435 100 4,867 E COCOA (ICCO) (SDR's/torne) 1940 148 1,830 1935 2,052 16,780 1927 984 5,835 1925 389 2,985 1897 112 1,787 1875 23 882 1962 +20 1969 1967 +28 1965 1845 +25 1968 1939 +22 1950 1912 +25 1920 1878 +24 1875 ■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) 180.00 +2.25 131.00 127.00 290 798 122.75 +2.25 129.70 125.40 3,438 19,724 127.50 +2.00 129.50 125.80 579 5,136 123.50 +2.00 129.50 124.40 186 2,560 123.50 +1.75 124.00 122.25 37 718 122.50 +1.50 122.50 122.50 1 309 4,655 29,257 ■ COFFEE (ICO) (US cents/pound) 77.90 +0.20 28.05 27.84 3.568 2.912 28.24 +0.21 28.49 28.16 8.547 54.520 28.39 +0.19 28.65 28.35 632 10.998 28.52 +0.22 28.75 28.48 1.050 4.922 28.63 +0.21 28.87 28.62 111 3.916 ■ WHETE SUGAR LCE (\$/tonne) +6.9 371.5 364.5 346 12,052 +4.8 337.0 322.5 92 5,373 +4.7 328.5 327.9 36 3,451 +3.6 328.5 325.0 67 2,554 +3.6 328.2 326.2 20 1,189 +3.3 328.0 328.0 1 277 502 25,462 SOYABEAN MEAL CST (100 tons; \$/ton) +29 2502 247.7 3,345 3,318 +24 254.0 250.7 12,713 82,892 +26 253.8 261.2 1,290 11,708 +26 249.5 248.0 566 7,118 +21 255.3 244.0 74 3,299 +20 245.6 249.2 1,210 18,222 19,436 87,136 ■ 8UGAR "11" CSCE (112,000lbs; cents/lbs) Jul 10.87 +0.25 10.97 10.57 3,950 Oct 10.78 +0.18 10.83 10.58 882 Mar 10.80 +0.20 10.84 10.60 702 May 10.75 +0.18 10.78 10.55 432 Jul 10.69 +0.18 10.89 10.50 432 Jul 10.69 +0.18 10.89 10.50 432 Jul 10.89 +0.20 10.63 10.49 23 Total 5,972 M COTTON NYCE (50,000lbs; cents/lbs) 10.87 +0.25 10.97 10.57 3,960 57,598 10.78 +0.18 10.83 10.58 882 34,960 10.80 +0.20 10.84 10.80 702 24,557 10.75 +0.18 10.78 10.55 422 6,521 10.69 +0.18 10.69 10.50 63 3,966 10.62 +0.20 10.63 10.49 23 1,256 6,372 122,668

■ POTATOES LCE (E/tonne) 225.0 83.5 : : : 84.40 -0.80 85.40 84.20 56 56
86.50 -0.37 87.00 86.15 3,758 25,153
85.45 -0.15 85.70 85.06 441 3,852
83.82 -0.25 84.16 83.78 2,025 28,460
84.45 -0.25 84.75 84.45 123 3,170
85.05 -0.33 85.10 84.90 12 1,417 FREIGHT (BIFFE) LCE (\$10/index point) -4 1405 1400 -5 1310 1305 -6 1274 1270 SI ORANGE JUICE NYCE (15,000lbs; cents/lbs) 128.05 -0.95 128.50 128.00 127.95 -1.55 128.10 127.20 127.20 -0.95 127.73 126.50 128.50 -1.50 123.50 122.00 121.80 -1.20 122.70 120.50 555 12,368 197 3,315 70 1,008 43 3,218 123.80 -1.20 123.00 123.00

FUTURES DATA All futures data supplied by CMS.

estimate due after Galifornian Almand Board meeting on May 9 - price idea is 6,500 FAS California. US walnuts LIP 2014 1995 crop et 6,200 FAS California. Indian cashews raw: 1995 crop, W-320, 6,150 apor Europe - alight Increase from origin at 6,050 CFR for Indian 1296 crop. Turkish hazalnut kemela, 13/15 standard 1s, 1995 crop, 9,100 FOB MEP; new crop at 3,200 FOB MEP. Turkishapracota No. 4 1996 crop at 2,550 FOB MEP. Chinese pine rut kemela; Chinese defaulting on contracts following price increase from 4,500 to 6,500.

Open Interest and Volume data shown for contracts insided on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. INDICES E RELITERS (Base: 18/9/31=100) May 7 month ago year ago 2118.4 2108.2 2301.5 E CRS Fatures (Base: 1967=100) May 6 month ago 257.38 255.82 231,75 E GSCI Spot (Bess: 1970=100)

MEAT AND LIVESTOCK LIVE CATTLE CME (40,000lbs; cents/lbs) 59.825 -1.5 82.000 58.825 7.961 39.011 80.825 -1.275 82.450 69.450 4.813 25.241 83.025 -0.8 84.200 63.000 2,437 17.828 61.450 -0.575 82.400 61.400 1,176 9,741 61.125 -0.575 82.400 81.050 1,200 8,573 III LIVE HOGS CME (40,000bs; cents/bs) 58.775 - 0.125 - 60.325 - 59.275 - 2,581 - 3,589 - 55.901 - 40.125 - 58.490 - 50.800 - 1,052 - 5,035 - 54.800 - 40.4 54.750 - 84.400 - 814 - 4,681 - 75.800 - 40.7 76.700 75.500 - 133 - 782 ME PORK BELLIES CME (40,000 for cents/fre) +2 82,350 92,350 +2 89,850 89,000 +2 86,550 85,900 535 1,872 1,861 5,535 469 2,169 69 475 8 37 +2 84,825 84,000 LONDON TRADED OPTIONS E ALUMINEUM (99.7%) LME E COPPER 2500____ N/A N/A N/A E COFFEE LCE Sep 209 186 186 Jul 79 103 132 Sep 164 191 221 1900 . 1950 . 2000 .

LONDON SPOT MARKETS R CRUDE Oil FOB (per barrel) Brent Blend (June)
W.T.L.
M OIL PRODUCTS NWEp олрt delivery CIF (tonne) Premium Gesoline Gas QI \$171-173 Heavy Fuel Oil Naphtha Jet fuel \$106-108 \$188-192 \$189-191 -1 +0.5 \$174-176 NATURAL GAS (Pence/therm) 9.40-9.55 Tel. Landon (0171) 359 8792 B OTHER 550.50c

Gold (per troy co) \$

Silver (per troy co;) \$

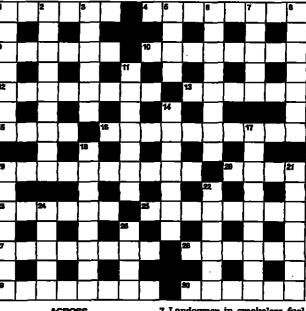
Platinum (per troy co;) \$

Palladium (per troy co;) \$406.85 \$135.40 Copper Lead (US prod.) Tin (Kusis !Lumpur) Tin (New York) 16,17r 310,50 +0.07 +1.00 Cattle (live weight) Sheep (live weight) Pigs (live weight) 187.67p 110.43p Lon. day sugar (raw) Lon. day sugar (wie) \$272.10 Barley (Eng. feed) Metze (US No9 Yellow) Wheat (US Dark North) 114.40 Unq Unq 100.75p 100.75p 358.00m +1.00 +1.00 Rubber (KL RSS No1) Coconut Of (Phil)§
Paim Oil (Melay.)§
Copus (Phil)§
Scorebook (US) \$815.Dv -5.0 \$503.0v -20 492p

Wooltops (646 Supir) 65 \$ per leane unlose otherwise seased, p 1 thogolifie, in Melaysten centaling, z Apollety, y Apollen, w Juniful, \$ Lon Roderden, \$ Bullon assists class.

JOTTER PAD The solution is HP Computer Systems. CROSSWORD

No.9,064 Set by QUARK



ACROSS 1, 4 Well directed snowballs, for example? (6,8) 10 Priest if disguised could be image (7)

11 Kind of points for old proseen in WWII (8)

12 Could be image (7) 12 Car (not starting) up tree after crash, in a hole (8) 13 Trust's reputation (6) 15 Cross back for an entrance (4)

16 Pass swiftly by post in a race (10) 19 Unimportant extra person to earn a ton? (10) 20 Important performer is in the largest arena (4) 23 In winter month woman showing devotion (6)

25 Dean and Father involved with RI producing unseen waves (8) 27 Perfect: applied to pitch, temperature etc (8)
28 The sailor to be idle although shining brightly (6)
29 Sweets lacking introduction

for ease of hearing (8) 30 Acting technique in a way (6)

1 Judy's flowers? (7)
2 Undergoing repairs under attack? (2.8.4) Demands and obtains at precise second (6) One million religious Bantu One in dire straits? He'll make cynical observations (8)

BOWTHE CHAPLAIN
A I C I O O D T
BUNCORN LITHIUM
I C N L I A E D
AWAY PAUNTERUSH
O M G Y E II S
E O A R S I U D
ANUSEED STUPOR
C W G T Y E U
LOOSEGOVER RIUM
U G U R I S

7 Landowner in smokeless fuel 8 Court surrounded by peers

ducer of snaps (7)
14 Transported then by a village in the bible (7) 17 The consequences following the US study of numbers etc (9) 18 Shark swirled round the

north (8)
19 Piece statement of time together for legal authorisa-tion (7) 21 Possibly here add ginger (7)

22 Singer in the inner ring (6) 24 One who recommends disre garding advert for helmet plece (5) 26 The large amount of money coming up is to cease (4)
Solution 9,063

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Treasuries remain flat ahead of auction France ready to refinance,

By Lisa Bransten in New York and Semer Iskandar in London

US Treasury prices were mostly flat in early trading yesterday as optimism about demand at the afternoon auction of 10-year notes and economy from the Federal Reserve combined to ease some of the market's bearish tone.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was up 1 at 864 to yield 7.071 per cent, while at the short end. the two-year note was # lower at 99%, yielding 6.181 per cent. After initially slumping to a Treasury bond future recovered its footing and was

% stronger at 107 to.
The Beige Book, a summary

of the economy prepared by the Fed in advance of Open Market Committee meetings. was seen as encouraging to investors worried about inflationary pressures because it noted that prices remained relatively stable despite some tightness in the labour market and rises in commodity prices. There was some concern

that the Beige Book would be more aggressive," said Mr Richard Gilhooly, an international bond strategist at Paribas Capital Markets in New Mr Gilhooly said there was

also some talk among Wall Street dealers that the 10-year note had sunk so low it was becoming an attractive investment, and that had inspired some hopes for decent demand year-low of 106%, the June at the Treasury department's sale of \$14bn in 10-year notes. The notes were expected to be awarded at an average yield of about 6.91 per cent.

■ UK glits ended a quiet session higher. Liffe's June long gilt future settled at 105%, up I, and rose to 105% in after hours trading. In the cash market, the 7½ per cent gift due 2006 closed at 95%, up #.

Mr Stuart Thomson, chief international economist at Nikko in London, expects little rise in the level of activity in the near future. However, mar-ket participants are likely to focus on the housing and consumer sectors in the coming months.

Although these segments have started to show "some elements of strength", Mr Thomson believes there is room for a cut in the base rate sometime in the third quarter. He also expects gilts to "mar-ginally outperform" other markets, with 10-year yield spreads tightening to 160 basis points over bunds and 125 basis noints over US Treasuries in

the next three months. These

spreads stood at 179 and 131 basis points respectively yes-

■ German bunds regained their footing after several days of uncertain trading. Liffe's June bund future settled at 96.03, up 0.30. The new 10-year benchmark, the 6% per cent bund due April 2006, closed at 98.11, up 0.21. Economists at ABN Amro

Bank believe the "German business cycle is still very gloomy", with weak employment growth.

■ Spanish bonds had a mixed session and closed lower when the D-Mark rose against other The German currency's

strength was due to comments by Mr Hans-Juergen Koebnik, a member of the Bundesbank council, who expressed doubts over the likelihood of European monetary union being

achieved within the Maastricht timetable. The June 10-year bono future closed at 97.98,

However, analysts at Bear Stearns believe the market will soon resume its rally. The recent flattening of the yield curve, they said, was due to disappointment at the central bank's decision to cut the repo rate by only 1/4 point to 7/4 per cent, while the market expected a 1/2 percentage point cut. But they expect a further 1/2 point cut after the release of consumer price data for April, which they believe will show a fall from the 3.4 per cent rate of growth in March.

■ Italian bonds closed barely changed, having fluctuated in a narrow range throughout the day. Liffe's June BTP future settled at 113.81, unchanged. The 10-year yield spread over bunds tightened by 1 basis

part of social security debt

By Samer Iskandar in London and David Owen in Paris

France's ipnovative refinancing of a large part of social security debt is about to get

under way in earnest. This week should see the ssuance by a specially-created institution – the Caisse l'Amortissement de la Dette Sociale (Cades) - of the first tranche of the FFr140bn refinancing, in a move that will be watched with keen interest by European capital markets.

It is not clear in what form the first tranche will come. However, the refinancing will eventually have recourse to all available sources of finance, including bank loans, French domestic commercial paper, international financing via issues of euro and/or US commercial paper, and domestic and eurobond issues.

Cades is having to operate under the tightest of timetables: the new instruments must be issued before June 28, when a bridging loan granted by a French government financial institution has to be

The creation of Cades is in accordance with a blueprint for welfare reform set out in November by Mr Alain Juppe, prime minister. He outlined a series of spending cuts and tax increases aimed at wiping out accumulated deficits of FFr250bn. He said the government wanted to clarify the situation "once and for all".

The motivation behind the "spin-off", according to one of the senior bankers consulted by the Treasury, was to "make the French feel more responsible about their social welfare system". By creating the Cades, and the new "social debt reimbursement" (RDS) tax that finances it, the government "can now say to the citizens: this is how much it costs. so this how much you will be

paying for it", he said.

defined and established on Jan-uary 24, is charged first with extinguishing France's cumu-lative social security deficit for the years 1994 to 1996. This is valued at the fixed amount of FFr120bn for 1994 and 1995; the provisional 1996 deficit bas been put at FFr17bn. The amortisation period is 13 years and one month, ending on Jan-

uary 31 2009. The body will also reimburse in annual instalments of FFr12.5bn the French state's sumption of FFr110bn in Habilities arising from earlier financial deficits of the social security system. These deficits will continue to be managed by the state.

Finally, Cades will this year make a one-off payment of FFr3bn to one of France's national health insurance

In what amounts to a bold experiment with the concept of tax hypothecation, the body's funding will come essentially from a new 0.5 per cent levy on the personal incomes of all but the poorest French citizens the RDS contributions.

This is expected to raise FFr21.5bn in 1996 and FFr25.5bn in 1997, when it is extended to life-assurance contracts and income from several types of savings plans. A second, more modest, source of income is also available to Cades in the form of revenues from sales of property belonging to the French welfare

According to Standard & Poor's, the debt rating agency which has given Cades' debt its highest credit ratings - triple-A for long-term debt and Al+ for short-dated financing this level of income should "under presently foreseeable circumstances, allow Cades a comfortable margin for its debt service requirements, even if France's economic activity turns out weaker during the aying for it", he said. amortisation period than origi-Cades, which was legally nally assumed". However, S&P

said a "prolonged recession could seriously affect the performance of Cades".

French official projections show that even if nominal GDP declined by 7 per cent annually over the 13-year refinancing period. Cades' resources would still cover its "obligations visà-vis the market". The structure of Cades's lia-

bilities will provide an additional cushion for investors in securities issued by the body. This is because the annual payment to the state is subordinated to debt servicing payments. In other words, the state will only start receiving its annual dues after the claims of all other lenders to Cades have been fully satisfied. From an investor's point of

view, this is equivalent to endowing Cades with reserves - almost a "guarantee fund" bankers said - from which up to FFr12.5bn can be taken every year to fill any gap between RDS revenues and amounts owed to Cades' credi-

The legislation provides an additional safety net in the very unlikely – event of Cades being unable to fulfil its obligations, by stipulating that the government would then have to "submit to parliament the necessary measures to ensure the payment of principal and interest at the set dates"

In addition to Standard & Poor's, both Moody's, the other large US rating agency, and IBCA, the European agency, have given Cades their highest grades, confirming the financial solidity of the structure

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What remains uncertain is how the government will finance any additional deficits. It now appears increasingly likely that this year's deficit will be more than FFr17bn the level at which the Cades contribution is capped.

If there is an extra shortfall, it will have to be financed by

Warm welcome for issue from Vodafone

By Conner Middelmann

An inaugural £250m five-year bond issue for Vodafone, a UK mobile communications group. received a warm welcome in the sterling market yesterday.

INTERNATIONAL BONDS

While some felt that the pricing - at a spread of 42 basis points over gilts - was tight, most dealers said it was fair. "We've been looking for five-

vear corporate bonds in sterling for quite some time, and this one has a lot going for it: a great household name and a nice bit of spread," said one trader. He found "puzzling" the lack of pre-marketing. "When you have a new borrower with fresh ratings, people need some

WORLD B BENCHMAI

time to form a view." he said. The bonds were rated A+ by Standard & Poor's and A2 by Moody's.

Lead manager UBS reported good sales to UK institutions and Pep-funds, adding that the suread remained stable at 42 basis points over gilts.

The sterling sector also saw a £125m three-year offering for GECC, priced at 7 basis points over gilts and aimed at Swiss retail investors, whose interest in sterling bonds has picked up recently, said bookrunner SBC

Warburg. In dollars. Bayerische Vereinsbank issued \$500m of five-year bonds at a spread of 22 basis points over Treasuries. While some dealers felt the pricing was tight given the quality of the name - Bayerische Vereinsbank was recently downgraded by Moody's from

_	Amount	Coupon	Price	Materity	Feet	Spread	Book-runner
Borrower	112	%			%	bр	
US DOLLARS Bayerische Vereinsbank	500	6.875	99.745R	May 2001	0.25R	. 20101/04_011	JP Morgan/Paribas Cao Mkt
Federal Home Loan Mtg Corpta)	500	6.80#	100.00A	May 1999	0.15R		Goldman Sachs Internations
Banque internationale à Lux	100	4.875	99.018R	Jun 1997	0.10R	+12(T-bill)	NatWest Capital Markets
Surnitok international(b) ф	66.75	2.50	100.00	May 1999	2.25		Sumitorio Finance Inti
Satori Bectric Colcie	60	3.00	100.00	May 2000	2.25		Daiwa Europe
MEN.							81 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -
Vippon Steel Corp(d)*	20bn	2.50	100.20	May 2000	9.20	<u>-</u>	Norinchukin International
TERLING							
/odatone Group(s)	250	7.875	98.311R	Nov 2001	0.30R	+42(7%-01)	
Compagnie Bancalreț	150	(0,8)	99.80A	Mar 2001	0.175R	•	HSBC Markets
SECC(S)	125	7.375	99.82R	Dec 1999	0.187\$R	+7(6 %-60)	SBC Warburg
TALIAN LIRE							
Vorid Bank(f)	250bn	Seco	40.85	Jun 2006	1.00	-	Citibank/Crecito italiano
SCUDOS							
olo Securitiestatt	20bn	(g1)	190.00	Jun 2002	0.275	-	Banco Efisa/Bankers Trust
							
EW ZEALAND DOLLARS	150	9.75	101 12	b 4000	4 60		CDA
Norld Barnk	100	8.75	101.13	Jun 1999	1.50	-	CBA

ψWith equity warrants. ‡ Floating-rate nota. #Semi-annual coupon. Ř: fixed re-offer price; fees shown at re-offer level. a) Catable from 14/597 at per. b) Denominations: \$10,000 +2 wrts to Surnitomo Special Metals Co. Final terms fixed today. c) Floring: 13/5/96. d) Short 1st δ 2nd coupons. s) 3-mit Libor +8/46p. i) L500bn launched 5/3/98 was increased to L750bn. Catable on 19/5/01 at 63.0176%. g) Fungible with Es20bn. Amortisas 50% on 11/12/01. g1) 6-mit Liabor +12/4bp. a) Short 1st coupon.

offering of six-year floating-

rate notes, writes Antonia

triple-A to Aal - a syndicate official at Paribas, joint leads with J. P. Morgan, said the issue had seen good sales

The credit-enhanced notes are fungible with an offer last across Europe. Empresa Publica, a Portu-December, making it the largguese state-owned company, est financing for a Portuguese raised Esc20bn through an

Bankers Trust, which arranged the offerings with Banco Efisa, widened the appeal of the escudo bonds by providing asset swaps for investors who did not want to be exposed to the currency

BON	ID PRI	CES																														
ARK	GOVE	RNME	NT BO	NDS				■ BUND	FUTURES	OPTIONS	LIFFE) DM2	50,000 pol	nts of 100%	6		_	FT-ACTUARIES	FIXED	INTERES	ST IND	ICES			_								
	Coupon	Red Date	Price	Day's change	Yleid	Week ago	Month ago	Strike Price	Jun	C/	LLS	Sep J	un Jul	PUTS	Sep	_	Price indices USK GRES	Wed May B	Day's change %	Tues May 7	Accrued Interest	xdadī. ytd			Coupon May 7		Mediu May 8					yield Yr. ago
-	10.000 6.125 7.000 8.750 8.000	02/08 02/06 05/06 12/05 03/06	106.3080 97.3800 101.8200 105.1200 103.6600	-0.540 +0.200 +0.130 -0.170 -0.160	9.03 6.49 6.74 7.97 7.45	8.79 6.37 6.63 7.79 7.28	8.83 6.48 6.77 7.54 7.49	9600 9650 9700 Est. vol. tota	0.43 0.21 0.08 al, Callo 689	0.32 0.19 0.11 6 Puts 1160	0.36 0 0.24 0	1.68 0.4 1.61 0.1 1.36 1.1 187's open int	38 1.59	1.76 2.14	1.56 1,91 2.26		1 Up to 5 years (23) 2 5-15 years (19) 3 Over 15 years (5) 4 Irredeemables (6) 5 All stocks (57)	121.55 144.69 158.71 181.11 140.51	+0.10 +0.38 +0.53 +0.17 +0.29	121.44 144.18 157.88 180.81 140.10	2.58 2.96 3.56 4.95 2.98	3.36	5 yrs 15 yrs 20 yrs Irred.†	7.62 8.35 8.42 8.49	7.65 8.40 8.47 8.51	8.00 8.10 8.10 8.16	7.65 8.38 8.41	7.69 8.42 8.47	8.04 8.17 8.17	7.76 8.46 8.50	7.81 8.50 8.54	8.19 8.39 8.34
OAT OAT	5.750 7.250 6.250	08/01 04/06 04/06	0.0000 0.0000 98.1100	+0.210	0.00 0.00 6.51	5.49 6.40 6.37	5.74 6.59 6.39			AN GOVT.	BOND (BTI	P) FUTURE	: s				Index-linked		_ ·	<u> </u>	<u> </u>	· 	- : : : -	Ma	y 8 Mag	a 5% — ∕7 Yr.	ago	May	8 May	7 Yr. 1	3go	<u> </u>
o 140	8.000 9.500 6.600	08/06 02/06 08/01	101.9000 99.1100 118.4870	+0.200	7.71 9.64† 2.51	7.52 9.62 2.51	8.02 10.56 1.85	Jun	Open 113.75	Sett price		High 114,28	Low 113.60	Est. voi 40943	Open in		6 Up to 5 years (1) 7 Over 5 years (11) 8 All stocks (12)	195.89 185.75 185.84	+0.03 +0.15 +0.14	195.62 185.48 185.58	0.29 1.42 1.39	4.43 1.33 1.40	Up to 5 yrs Over 5 yrs		66 2. 79 3.		.13 .58	1.3 3.5		31 1. 50 3.		
o 152	3.000 6.000 11.875	09/05 01/06 02/05	97.0930 96.9900 116.0500	-0.030 +0.260 -0.350	3.41 6.42 9.12	3.39 6.31 8.90	3.19 6.43 9.46	Sep	113.18	113,19	+0 FUTURES	113.50	113.11 (UFFE) Line	149	1391 s of 1005	36	Average gross redemption yield	ds are show	n above. Coupo	on Bands: Li	ow: 0%-7%%; J	MacDurit 89	6-10%%; High:	11% and	over. † Fla	t yneidd, ydd	d Year to d	ata.				-
	8.800 6.000 8.000	04/06 02/05 12/00	96.9800 64.2140 101–27	-0.160 -0.210 +7/32	9.26 8.64 7.51	9.14 8.21 7.38	9.63 8.44 7.49	Strike Price			LLS		Jun	PUTS -	Sep	Ξ																
	7.500 9.000	12/06 10/08	95-09 105-19	+15/32	8.17 8.27	8.03 8.14	8.13 8.25	11350 11400		0.93 0.66	1.90 1.65		0.62 0.85		2,21 2,48		FT FIXED INTER			2 i dea (1 W 100 U	aht la	-	T ED(GED A	CITVI	TY IN		May 2	t done	1 4	

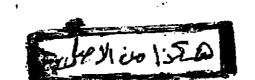
UK Girbs	8.000	12/00	101–27	+7/3	? 7.51	7.38	7.49	FINO		400	94	۲	-		Oap											
	7.500	12/06	95-09	+15/3	8.17	8.03	8.13	11350		0.93	1.90)	0.62		2.21	FT FIXED	INTER	EST	NDK	:ES					GILT	E I
	9.000	10/08	105-19	+17/3			8.25	11400		0.66	1,65		0.85		2.48						2 84-	y 1 Yrag	n Ulahi	LOW"		_
US Treasury *	5.625	02/06	91–07	-1/39			6.25	11460		0.45	1.44		1.14		2.75			may	IUNLY	O MILLY	E 1000	7	O LIMPI			—
	6.000	02/26	86-21	+1/3			6.59	Est. vol. to	ntal, Calls 420	9 Pub; 8740.	Previous day	y's open int.	, Calls 76090	Puis 95645	i	Govt. Secs. (U	KO 91.85	91.5	91.5	7 82.0	05 92	47 93.1	8 96.34	91.59	GEN Edg	,ed !
ECU (French Govt)	7.500	04/05	0.0000	-	- 0.00	6.79	7.09									Fixed Interest	111.50	111.4	3 111,4	6 112.0	63 112	.72 111.1	115.23	110.74	6-day e	VOTA
London closing, "New Y						Local ma	ies standard.	Spain								for 1998. Govern							49.18 (03/01	1/75) Fixed in	terest high	alnox
t Gross (including with			arif payabia	pà wous						ISH BOND	STILL BOOK	AACCES.				15/10/26 and Fixe	d Interest 18	26. SE a	ctivity ind	ices reba	ped 1974	4				
Prices: US, UK in 32nds	others in d	ecime)			500	ace: Mile	i international	- NOIN	AVAL SPAN	KON DUNED	OTOMES	(HELL-17														
		_							Open	Sett price	Change	High	Low	Est. vol.	Open int_											
us interes	Γ RATI	es 💮						Jun	98.12	97.98	-0.23	98.47	97.60	74,638	51,455	FT/ISMA	MITTEDA	ATIO	MAI		3 000	NICE				
Labora					J 73000 10			Sep	97.18	97.43	-0.35	97.33	97.18	45	35	FILIDINIA	ILLE-LEVE	H NO	1.1	DUNL	, SE	1115-		: <u>"</u>	<u> </u>	
Latest	_		reasur		id Bond Y	ieos		UK	4-	•	4.22		•=			Listed are the late	e internations	d books t	ire white	fhom is a	an artera e	ata correcto	ny market I		# 7-10 nm	on b
Driven		dincer sed dincer ow		•	Two year .		6.20 6.40		_ _												-		y manac b	-	•	
Prime rate		יייי מאנטאו האון הפונה הפונוך		5.14	Three year. Five year			# NOTIC	DNAL UK G	LT FUTURE	S (LIFFE)*	250,000 3	2nds of 100	194				ued E	<u> 14 Op</u>	er Chg.	THORE			فيتحبأ	1 964	
Fed.lands		k month		5.36	10-year		6.85	_	Ореп	Sett price	Change	High	Low	Est. vol	Open Int.	U.S. DOLLAR STR	AIGHTS					Seeden 8	97	250	0 105%	10
Fed.honds at Intervention	0	DE 165		5.69	30- 702		7.06		104-19	105-04	+0-17	105-12	104-19		119523	Abbey Nati Treasury		1000 9	57, 9	6년 - 1	7.27		adom 74: 97			104
								Jun	103-26	103-04	+0-17	105-12	103-24	37168 279	119523 675	ABN Armo Bank 74			ŝ.	os J	7.58			3 100		102
								Sep							6/3	African Dev Bk 73a			234 9	4 <u>1</u>	794			500		-
								= LONG	GELT FUT	RES OPTIO		1 220,000 6	ATTS OF TUE	770		Alberta Persona 75				ol 1.	8.50	****				

								107	· 0-20			⊩55 1-1 ⊩37 1-6			2-53 3-35
France	e Inal Frienc	H SOND F	UTURES (MATIF) FF1	500.000 (M	ay 7)		Est vol 2	otal, Calls 130	2 Pues 3455.	Previous day	r'is open int.	Calls 44418	Puts 39785	
	Open	Sett price	Change	High	Low	Est. vol.	Open int.	ECU I	BOND FUTU	RES (MATH) ECU100.	000 (May 7			
Jun	122.90	122.70	-	122.96	122.64	15.655	156,246		Open	Sett price	Change	High	LOW	Est. vol.	Open int.
Sep	121.40	121.22	-	121.48	121 <i>.</i> 20	1,015	11,539	Jun	90,76	90.56	_	90.76	90.64	501	6,155
Dec	120.22	120.00	-	120.26	120.20	1,142	6,163								
E LONG	TERM PRO	NCH BOND	OPTIONS	(MATIF)	day 7)	_									
Strike		CAL	is			PUTS		ŲS							
Price	Jun	ı Ju	1 5	Sep	Jun .	Jul	Sep	THE US TH	REASURY B	OND FUTUI	RES (CBT)	\$100,000 3	2nds of 10	0%	
120	-	-		-	0.06	0.46	0.64		Open	Latest	Change	High	Low	Est. vol.	Open int.
121	1.85	5 -		-	0.14	0.79	1.20		-		-	-			
122	1.05	5 0.5	5 1	.01	0.33	1 30	1.60	Jun	107-00	107-06	80 - 0+	107-06	106–16	223,012	375,255
123	0 44	0.2	·5 σ	.60	0.72	2.01	-	Sep	106-11	105-19	+0_07	106-18	106-02	6,853	32,765
124	0.13	3 -	0	1.38	1.41	-	-	Dec	105-22	106-00	+0-05	106-00	105-16	1,210	6,855
Est. vol. tot	tal, Casts 18,74	10 Puts 19.1	66 . Previou	asdany'n oppe	n int, Calls	137,827 Pub	178.538.								
								Japan	ı						
. .									- 		 -				

Notes	įmį '	leid _ Red	Price £	+ 07 -		reek Law	Notes	\ H	Neld Red	Price E	+ OT -	_ 52 • High	egk Low	No.	_ (ī)	flets (2) Price	1E + gr		week
Sharts" (Lives up to Ping 1	(e185)						Treat 8 1 ₂₀₀ ; 2005##	8.21	8.13	102.5	+4	10073	9983	inter-third (b)			•		
mch 134pc 1996##	13.23		100,220	_	106	100,7	Treas, 7 lone, 2006 bb	7.87	8.17	9514		10133	9433	450c 98#(135.6)	1.32	267 11	272 +	b 113%	1092
resa 2pc 1995	0.92	5.82	218 ¹ 8		21815	209	Trees 7% pc 200601	8.01	8.20	96(3	+43	103%	94,3	21 ₂ 96 '01 [78.36	3.11	3.67 17	1845 +	2 180 <u>5</u>	1731
omyecuton 10pc 1995	9.80	5.97	105 1 4		1043	102/4	Treas 8pc 2002-6##	8.09	8.20	9873	+15	10443	95!	21:00 103	328 334	367 17	3 <u>13</u> +	176	160
7688 134pc 1997##	12.53	603			10923	10412	Treas 11 'apc 2003-7	9.89	8.05					4½00 '04##(135.5)	3.34	3.70 11	44 +	, 1101	112
ach 1013pc 1997	10 16	6.04	103%		10533	103 %				11833			1174	2pc 106	344		π. +	<u> </u>	1/6
reas Cov 7pc 1997#	6.95	6.33	100@	+12	1013	9813	7reas 8 ¹ .pc 2007 #	2.35	8.24	帕多	+13	108],	99%	21205 109	3.53		3. +	, 1674	
mas 84 pc 1997##	8.51	5.39	102%		104,7	10133		10.32	8.11	130[]	+15	1393	1293	2 ¹ 2pc 71(74.6)	157	3.77 10	別: + 別: + で: + で: +	ž 173 <u>3</u>	185,
ack 15pc 1997	13 43	5.46][1]日		117,2	11153	Treas 9pc 2008 ##	8.53	8.26	10513	+27	11212	10312	21 ₂₅ x 13 (89.2)	3.51	3.80 13	1848 + 1741 +	<u>کے 143</u>	135
nch 91epc 1998	9.30 7.19	6.64 6.76	10433	44	107	104	Treas Box 2009	8.21	8.30	9713		10412	9512	2 ¹ 200 1661.6 2 ¹ 200 2063.0	365 360	3.82 14	62 -	. 1824 L 1485	144
reto 7 40c 1998‡‡ reas 64.pc 1995–98‡‡ .	6.75	6.75	100 <u>13</u> 99(2		100,	98, <u>1</u> 96,2	Treas 6 1/40c 2010	7 50	B.36	82.5	+2	88.	80.7	2 ¹ 290 '2412(97 3)	3.66	3231 11	72 *	122	
reas 151 ₂ pc '98##	13 06	6.86	11813		1244									41 ₈₀ C 30#((35.1)	388		5, +		113
ach 12oc 1998	10.78	7.03	1112	7,	1145									-				-	
reas 91 ₂ pc 1998##	8.98	708	105	+1,	108,	184								Prospective real recent	PROD I	asson p	CHACTER	Mason	OT [1
reas Fito Rate 1999	750		9925	*16	1003	9912								10% and (2) 5%. (b) Fig	Ures II	i baraumi	GOS BUC	/ HP1 DI	258 IO
ach 124 pc 1999	1085	7,17	17212		11573	1124								indexing (le 8 months pr					
reas 10 ¹ 20c 1999	9.65	7 19	10833	₩.	112.3	107,5	Over Fitmes Years				_			reflect rebosing of RPI factor 3 945. RPI for Au	שונפו	J IN FOOT	או עושו	/. COM	1000
reas 6pc 1999 ##	6.22	7.23	9643	+3	903	9215	Come Spc La 2011 ##	8.55	8.36	105.2		11252	10353	151.5.	Moder II	B25 (48	2 (ENG 10	L MEDICAL	1430
Diversion 1014pc 1999	9.42	7.37	10813	+7 +7	112	107	Treas Bpc 2012##	8.54	8.38	105%		113,2	104人	is ing.					
ony 90c 2000##	8.56	7.42	105 ¹ e	والد	10843	102	Tream 51 ₂ pc 2008–12‡‡	7.21	8,14	76k	**	224	73						
rees 13pc 2000	10.90	7.51	119,	+4	12412	118	Treas 8pc 2013##	8.31	8.40	96.2	48	103	94提	<u> </u>					
reas 14pc 1996-1	12.36	6.87	113,7		1174		Treas 74.0c 2012-15##	8.27	8.41	93B		1016	92%	Other Fixed In	UP T	351			
reas Spc 2000##	7.80	7.50	10133	+,4	105%	98 %	Trace due 2015	5.31	8.39	96,7		1042	8514						
reas 10pc 2001	g 16	764	1094	+4	114		Treas 8 % pc 2017##	8.49	8 43	103.4			102.		Y	Mail		_521	reck_

Shorts" (Lives up to Phy Y	(e112)						Treas 8 ½pc 2005##	8.31	8.13	102.3	**	108Z	9983	i inter-Lided (ii)	O
Exch 134.pc 1996#	13.23		100, 21	_	106	100,7	Treas 7429c 2006tt	7.87	8.17	9514	-3	10133	9423	45gc 98#(135.6) 1.32 2.67 11272 +3 1137 1008	ē
Tresa 2pc 1996	092	5 82	2184		2181	209.	Treas 7% pc 2006##	8.01	8.20	9643		103%	94,3	21202 DT [78.26 3.11 3.62 1782 +2 1802 1738	-
Conversion 10pc 1996	9.60	5.97	105/19		10443	102/4	T 0000 Gl-							21-200 '03	2
Tread 134.pc 1997##	1253	5.02	104/2		1093	10412		8.09	8.20	9873		104)}	95¦}	47-00-10411(135.6) 3.34 3.70 1144 +4 1161 1121	ŝ
Exch 1012pc 1997	10 16	6.04			10533	103%	Treas 11 /apc 2003-7	. 989	8.05	11833		1257.	117 🛵	20c 108	s
Treas Cov 7pc 1997##	6.95	6.33		+12		98()	7ream 8J pc 2007 #	8.35	8.24	ម៉ាន	+13	108][99%	2 2 20 20	Te
Treas 8-4pc 1997##	8.51	5.39			104.7	10143	Treas 131 ₂ pc 2004-8	10.32	B.11	130[2	+12	138日	129%	2 ¹ 200 7174.6 3.57 3.77 1664 +2 1734 1652	Ŧ
Exch 150c 1997	13 43	5.46			117,2	1115	Treas 9oc 2008 ##	153	8.26	10513		11212	10312	21252 13 (89.2) 3.61 3.60 13643 +3 143 1353	70
Extr 94pc 1998	9.30	8.64			107	104 <u>1.</u> 98,1	Treas Box 2008	821	8.30	9713		10412		2½00 18 81.6 265 382 1474 +3 1824 1449 2½00 20 83.0 3.60 3.83 1469 +4 146, 1386	Te
Trees 7140c 199611	7.19	6 76		**	100	98,7	Treas 6 1.4ac 2010	7 50						2120= 30	
Treas 64 pc 1995-98## .	6.75	6.75	99[;		100,	96;2	11092 9 1340C 5010	f Sil	8.36	\$2 %	+14	88.	80,7		Ų.
Treas 1512pc '98##	13 06	6.96			1241									4 80= 30+(135.1) 3.88 3.82 115,1 +3 1201 113[1	w
Exch 12pc 1998	10.78	7.03		+4a		110/,								Prospective real redemption rate on projected inflation of (1)	w
Treas 9 1 ₂ pc 1999##	8.98	708	105長	+4	108,2	104								10% and (2) 5%. (b) Figures in perentheses show RPI base for	W
Treas Fith Rate 1999	-	-	6917		10021	9912								indexing (le 8 months prior to assue) and have been adjusted to	
Each 12 kpc 1999	10.85	7,17	17217	_	11533	712%	Over Fittings Yours							reflect repassing of RPI to 100 in Fabruary 1967. Conversion	m
Treas 101 ₂ pc 1999	9.65	7 19	108][+4	11573 11273 9083	107,%	Come for La 2011 St	8.55	8.36	105.2		11252	10363		-
Treas 6pc 1959 ##	8.22	7.23	8643	**	9053	ذا92	Treas Bgc 2012##	8.54	838	105%		113.3	1046	464 E	~
Conversion 104pc 1999	9.42	7.37	10813	+44	11235	107									100
Conv 9pc 2000##	8.56	7.42	105 ¹ 8	واد	10843	102	Tream 51≥pc 2008-12##	7.21	8,14	764s	+4	224	73		O
Trees 13pc 2000	10.90		119,7	+44	12412	118;	Treas 8pc 2013##	8.31	8.40	9.1		103(7	94提	Other Event leteratet	D
Treas 14pc 1998-1	12.35	6.87	113,7		117%	113,	Treas 7-Loc 2012-15#	8.27	8.41	93E	ياب	1014	925	Other Fixed Interest	D
Treas Spc 2000##	7.BB	7.50		+	1057		Treas 8pc 2015	5.31	8.39	96,7	+15	1042	95%		D
Treas 10pc 2001	9 16	764	100%	+4	114	106][Treas 8 % pc 2017##	8.49		103.				Yidd 52 week	Ē
							Exch 12pc 2013-17	9.12		1315		1414	130.5		Ξ
							Treas 8pc 2021	8.34	8.33	9511		99%			Ē
							1100 00. 2001	0.34	030	3015	*19	32.4	95]3	Asian Dev 104,pc 2009 9.11 8.51 11212 +16 120 11181 8 ham 111-pc 2012 9.62 9.13 1195 128 1195	
															b
Five in Fillers Years														One for some and some some some	Ц
Treas 7nc 2001 11	7.22	7.69	9913	+3	IDI	93.								9pc Cap 1996 8.65 - 104 104% 103% 13pc 197-2 11.72 - 110% 111% 110	N
Trees 9-lane 2002	A.93	7.87	100 2		1145	106]								13pc 97-2 11.72 - 1107 1117 110 Hydro Onether 15pc 2011 10.47 9.54 1434 +3 1525 1425	a
Trees apr: 2003##	7.97	7.BS	100%	+4	1053	97	Undeted							Lands 13 ¹ 200 2006	80
Trees 10pc 2003	9.01	7,97	110/2	*/*	1172	108,	Consols 4pc	8.60	_	4845	-6	5012	4614	Userpool 32 _{200 kmet}	
	10.02		11433	7	119[]	1134	War Loss 31200##	B.47	-	41.2	+4	45.2	462	LCC 3nc 720 Att	ы
Funding 31 ₂ pc 1999-4	4 41	6.84	79%	***	8331		Conv 31200 '61 Aft	600	_	58.3	-	65.7	67.9	Mandaster 111 ₂ pc 2007 . 9.83 9 11 117 1241 ₂ 117	A.
O-0-00-01-0-0004	8 78	0 14	emai.												

LI LIYED IN LEHES			3					GIL I	EŲ	للعبي	AL		INDICES			_		
					1 Yr ago	_ <u></u>						May 7	May 3	May 2	May		Apr 3	
					47 93.18 72 111.14		91.59 110.74	Gillt Ed 6-day (ged be	rgein: :		93.9 95.0	100.6 92.3	94.6 91.7		7.6 i.6	98. 100.	
for 1998. Government Securities hi	gh since	فأوسوه	tion; 12	7.4 (09/	01/35), low 49		1/75) Fixed Inte	rest high	since c	omplat	ion: 133	JS7 (21/01/94						
5/10/26 and Fixed Interest 1928. S	E SCOVI	y maice:	, recas	80 1974														
FT/ISMA INTERNAT	ION/	AL BO	DND	SER	IVICE .													
sted are the latest international bor			-	_					_	•								_
itsued							issued	-		•	Yield			lescood	Bid	Offer	Chg.	Yk
S, DOLLAR STRAIGHTS		_			Seeden 8 97	7	2500	105%	106		3.85	Ahhau Nati	Trecsury 8 03 £			9814	414	B.3
obey N2d Treasury 6 ¹ 2 03 1000		951 ²		7.27	United Kingd	kara 748 97	5500	104%	1047	418	364	Alkance Leis	क्र ११% <mark>५</mark> ९७७ ६	100		104 %	74	85
3N Armo Bank 74, 05	964 934		ᇻ	7.58 7.94	Volkswagen i World Rose i	hatFan 70 ⊓15	0001 81 2000	1021 ₈ 293	30 105 g	41,8	6.61 6.38	British Land	187 <u>1</u> 23 E	150	88 88	885g 993g	+1	10.4 7.1
berta Province 7 ju 98	1024	1021/2	<u>ہ</u> ۔	6.59	World Bank	57, 03	3000 \$000	9812	985		6.12	260888	4 98 €	1000	994	33%	ولو	g.
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THURSDAY MAY 9 1

MARKETS REPORT

Rand falls on signs of government split

By Graham Bowley

The South African rand came under renewed pressure on the foreign exchanges yesterday amid fresh concerns about the shape of the roling coalition

amid large falls in government bond and equity prices after Mr F W De Klerk, deputy presi-dent, raised the prospect of the white-led National Party quit-ting the two-year old Government of National Unity. The former president said the post-apartheid constitution, which was officially adopted yesterday, was flawed.

Elsewhere, the D-Mark's recent revival continued as it gained at the expense of the dollar and most European currencies after comments by a Bundesbank official appeared to support a stronger German

carrency.
The dollar's sharp fall against the D-Mark came amid further weakness in the US

equity market and nervousness in the US bond market ahead of a large auction of bonds. The Bulgarian lev continued its recent sharp decline, falling to an all-time low against the

dollar, government. The pound displayed some independent strength, rallying independent strength, rallying against the D-Mark and the dollar despite the D-Mark's gains against other European currencies.

The dollar held firm against the yen despite its losses against the D-Mark. It closed in London at Y105.23. Against the D-Mark, it fin-ished at DM1.5183 from

DM1.5328. Sterling finished against the D-Mark at DM2.3019 from DM2.299. Against the dollar, it closed at \$1.5162 from \$1.5113 at

the previous close.

■The view that the D-Mark may now be set for a rebound following stronger than expected German economic data in recent weeks gained ground sterday, helped by comments by Mr Hans Jurgen Kobnick, a Bundesbank council member. Mr Kobnick said that interest rate cuts in other European

strengthening against the D-Mark. He also threw some cold water on speculation of lower German interest rates when he said he saw no room for further change in official interest rates, and no economic benefit

in a lower repo rate. The D-Mark made particularly strong gains against European high-yielding curren-

Mr Lawrence Hatheway, currency analyst at UBS in London, said: "Many of the highyielders were ripe for a correc-

700 -

CURRENCIES AND MONEY

800 1,000 countries would probably pre-vent their currencies from

> tion but there is also the beginning of a shift in sentiment in favour of the D-Mark following more upbeat economic data."
>
> He said an environment of rising interest rates, particularly in the US, was not conducive to flows into relatively

■ Analysts said the Bulgarian lev's decline - from around

DOLLAR SPOT FORWARD AGAINS

high-yielding countries.

of last month to around Lv120 has been due to growing worries about the country's troubled banking system.

Mr Andrew Kenningham, analyst at Merrill Lynch in London, said the country's relatively low annual inflation rate of around 33 per cent did justify the recent collapse in

the currency.

He said: "There has been a flight out of the currency and out of the banking system as the country faces large debt payments.

He said there was the poss bilty that the country, which has undergone a Brady-style debt restructuring, could become first country to default on its Brady bond payments, which could further hasten the currency's decline.

■ Yesterday's UK monetary meeting between the chancel-lor and the governor of the Bank of England ended without comment, with analysts

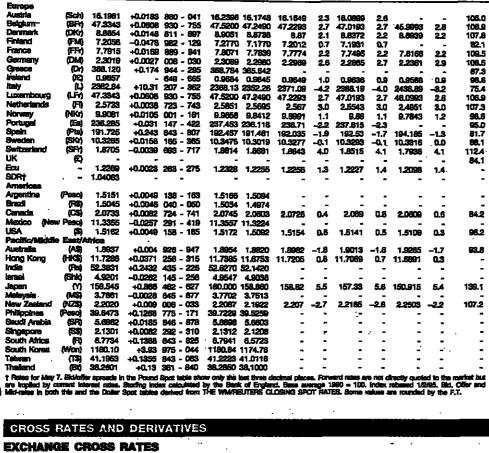
expecting no change in interest rates to follow the meeting. Mr Tony Norfield, currency analyst at ABN Amro in London, said the strong link

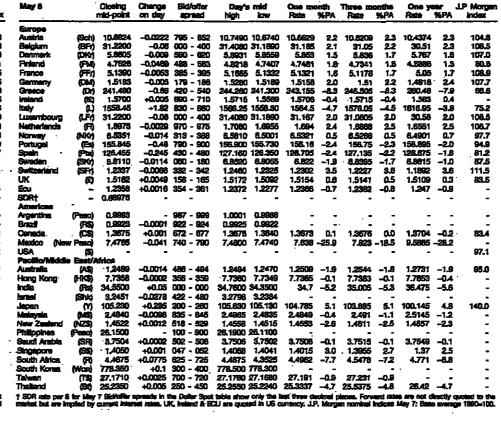
between sterling and the dollar had been broken in recent seesions in sterling's favour. He said the pound had remained strong despite the dollar's decline against the D-Mark.

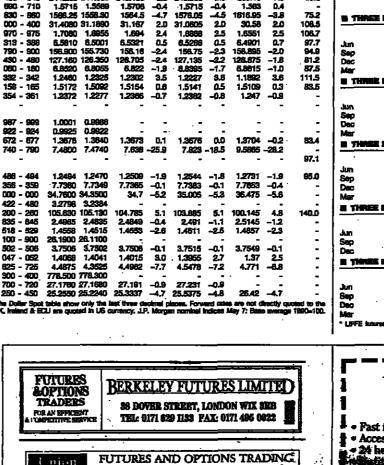
He said: "It is an indication of a reassessment of sterling's strength, supported by buying of UK assets by US investors and by less concern about the political risk."

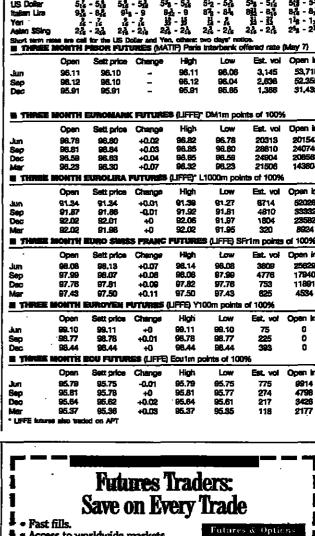
Attention in the UK today will be on industrial produc-tion data for March which are expected to show further weak-

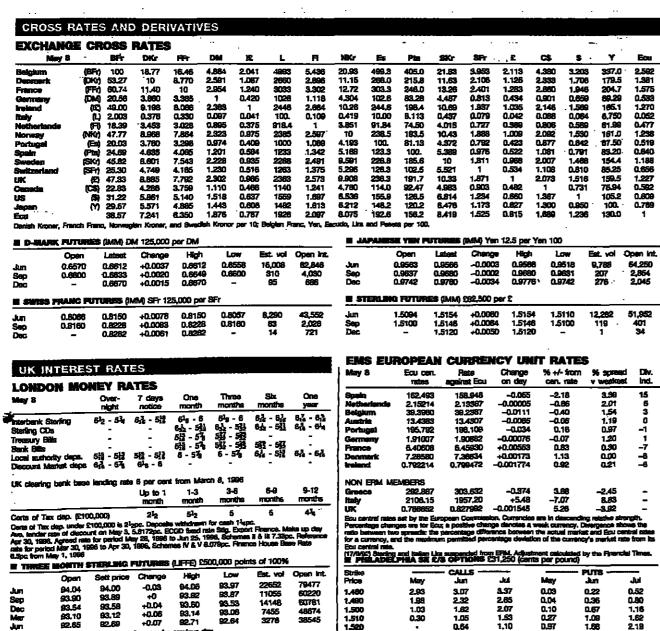
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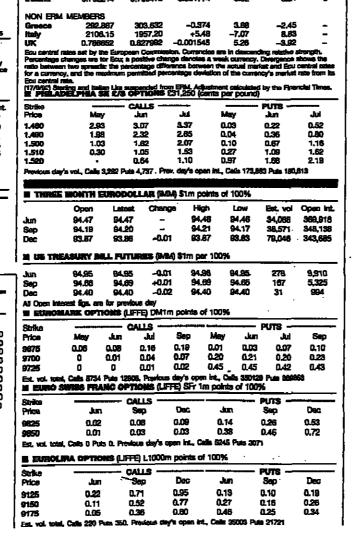




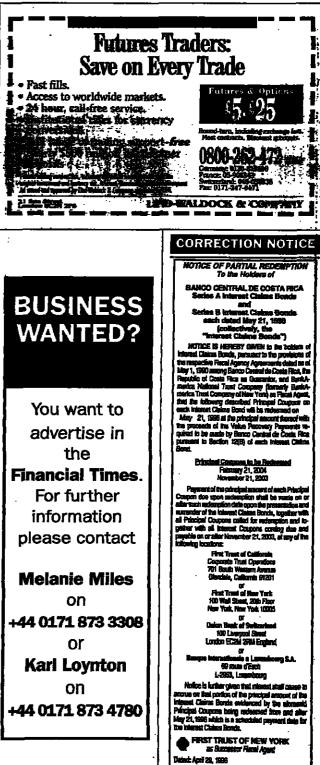


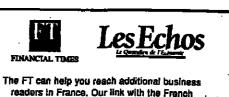
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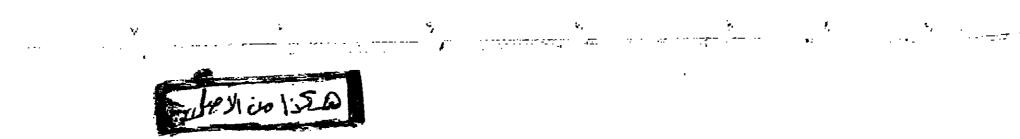






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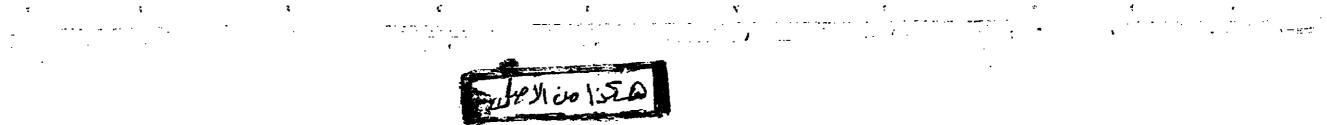
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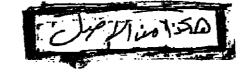
FINANCIAL TIMES THURSDAY MAY 9 1996 30 FT MANAGED FUNDS SERVICE ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. OFFSHORE AND **OVERSEAS** BERMUDA (SIB RECOGNISED) half Madas Balling Baylog + or Tabl Clauge Price Price - Mrs 275 3 Peter Port Guerrany 01467 710551 Couples loss 01 224 520097 GUERNSEY (REGULATED)("") Flerning Group (6) 6 Route De Treves L-263. 00 363 Jenot or Della 960 3 uranger lagging from Bestings Residus Plangdale Fond de ISLE OF MAN (REGULATED)(**) 388 BERMUDA (REGULATED)(**) THE SET SHE SHE **"**..l -AB Fund Manager (C) Ind O1534 883000 AB Fund Manager (C) Ind O1534 883000 AB Fundam Damesty Plant Land AB Fundam Damesty Plant AB Fundam D 四四 LUXEMBOURG (SIB RECOGNISED) _519.00 I+0.211 \$12 150 188 \$10 188 \$10 40 One on Street, London ECAR IAX 出點腳點 COUNTY N -020 00 -020 00 -020 00 اجده-ا GUERNSEY (SIB RECOGNISED) Litt Asset Ma (6.506; Inti Lid (2) 17534 986688 India Line State Annual Line S 1 H. 加湖 1-284 -#日 6041 513291 111 198 -0.08



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LONDON STOCK EXCHANGE

MARKET REPORT

UK equities burdened by Wall Street gloom

By Steve Thompson UK Stock Market Editor

A sparkling performance by the food retailing giants and the usual daily sprinkling of bid stories helped to cushion London's equity market from another potentially severe drubbing yesterday.

Nevertheless, a big fall in shares on Wall Street at the outset of trading, amid fears of a substantial correction, saw London give substantial ground towards the close to register its fifth straight decline. The FT-SE 100 index retreated a

further 15.7 points to 3.707.3, extending its decline over the past three trading sessions to 110.6 points.

or just short of 3 per cent. Second-line stocks were equally hard hit, with the FT-SE Mid 250 index sliding 21.1 to 4,504.4, its sixth decline over the past seven trading days, during which the index has

given up 642 or 1.4 per cent.
Dealers said London's fall was
almost entirely down to Wall Street's recent bout of weakness, which in turn was attributed to a number of influential broking houses reducing their recommended exposures to equities.

Three of the leading Wall Street houses, Merrill Lynch, Smith Barney and Morgan Stanley, have adopted much more cautious stances on US markets this week.

Dealers in addition pointed out that London had also been helped by a strong showing by gilt-edged stocks, which were commonly around a half-point in the wake of the regular monthly meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England. Traders said that only a handful of super-optimists had

expected a cut in UK rates. Senior traders said London would struggle to resist the downward pull from Wall Street. "There is talk of the Dow Jones Industrial Average falling back to 5,200 in the short term as stories of a US interest rate rise circulate," said one. He added that the Footsie would take a look at 3,650 in the short term if Wall Street continued to lose ground. Another said there were signs that the big bedge funds were pulling out of US stocks and shifting cash into Treasury bonds, which

moved higher yesterday, and into various overseas markets. Turnover yesterday reached an unspectacular 734.3m shares, with non-FT-SE 100 stocks accounting for more than 60 per cent of that figure. The total was lifted, marketmakers said, by a couple of trading programmes executed in midsession. Customer, or retail, business on

Tuesday was valued at £1.9bn, sur-

prisingly high for the first day

missed by industry sources.

who said that the same old

story had circulated six

Vodafone staved out of

favour, crashing to the bottom

of the Footsie rankings as

some analysts trimmed profits

estimates on the group's latest

There was said to be disap-

pointment at the "full price" Vodafone is paying to raise its

stake in French mobile phones

rival SFR to 16.5 per cent. And

a number of brokers tweaked

from the US on the back of a

weak morning session for Wall Street. Vodafone ended 8

cheaper at 247p and is now

back to the bottom of its recent

Cable and Wireless hardened

6 to 476p ahead of next week's

results from its subsidiary

Hong Kong Telecom. There

There was also steady selling

earnings forecasts lower.

months ago.

French deal.

following a bank holiday. J. Sainsbury took pole position in the Footsie rankings, with the shares climbing rapidly after pleasing news of the progressive divi-dend policy and the decision to ask shareholders to approve a potential buyback of 10 per cent of the shares. The good news permeated the rest of the food retailing arena.

Takeover stories continued to circulate, with Pearson rising strongly and Cable and Wireless putting in a late spurt, amid hints that Li Ka Shing's Hutchison Whampoa group may be preparing a megabid for the UK telecoms group. C&W's merger discussions with BT ran into the



Food retailers celebrate

Relief that food retailer J. Sainsbury had not issued another profits warning as it published lower full-year figirres snarked a wave of buying in the company's shares and the sector as a whole.

As the session drew to a close, the group's shares were up 15 at 372p, having touched 377%p in fevered buying in the morning. Turnover was 12m.

One analyst, emerging from a meeting with the company. said of the share price perfor mance: "Everyone is just relieved we did not get another profits warning from Sains-bury, and I think that is what the share price is saying."

Sentiment in the stock was initially enhanced by reiteration of a progressive dividend policy and an announcement that Sainsbury is to seek powers for a share buyback. However, one market specialist said: "The company has indicated it has no plans to use its buyback powers."

Several brokers downgraded current year profits expectations in the wake of the figures. The list of those reducing expectations included SBC Warburg, the group's broker, which lowered its forecast by £29m to £796m. UBS downgraded its estimate by £25m to £785m, although it has upgraded its recommendation from "sell" to "hold".

Indications from Sainsbury that, in spite of plans to launch a nationwide loyalty card, it is unlikely to make moves that will seriously deepen the price war with its competitors triggered solid buying among lead-

ing stocks in the sector. Argyll Group climbed 81/2 to 336½p, while Tesco, also in demand, gained 5 at 272p in heavy trading that brought volume of 12m.

Sainsbury's plans for its DIY operations cast a cloud over several other home improvement retailers. W.H. Smith, joint owner of Do It All with Boots, dropped 8 to 487p and Boots fell 4 to 617p.
Wickes slipped 2 to 127p.

Dixons receded 10 to 482p on 2m shares traded, with a substantial investor understood to have been selling.

Barclays active

Shares in Barclays firmed 2 to 747p as some dealers began to anticipate some jumbo-sized buying at the end of the

The bank announced at the end of February that it was prepared to buy back 40m of its own shares at 765p apiece. Many investors will have waited before refilling their portfolios in order to satisfy their auditors over the consequent tax credits. The waiting time has not been fully laid down by the Inland Revenue but three months is customary and practice for some big institutions. That deadline passes at the end of the month.

"It is far better to travel than to arrive," muttered an analyst commenting on Whitbread. which fell 8 to 738p after its results, at the top end of expectations but not above them. failed to excite the market.

Analysts, some of whom neverthless upgraded their forecasts, said there was an element of profit-taking in Whitbread, which is the first of the major brewers to report results. Some marketmakers were said to be running long books and to have cut their

position. Bid rumours concerning J. Wetherspoon, the pubs group, which jumped 60 to 955p, were said to be misplaced. Analysts attributed the increase to activity from US buyers, who are already substantial investors in the group. US investors were also said to be purchasing Pizza Express shares, which added a penny at 350p.

S.G. Warburg reiterated its 'add" recommendation for Grand Metropolitan, which hardened to 4261/2p. Guinness rose 7 to 479p. Speculation that the two groups were planning some joint venture for their spirits divisions were dis-

was some speculation that FINANCIAL TIMES EQUITY INDICES Mary 8 Mary 7 Mary 3 Mary 2 Mary 1 Yr ago 7-High 2772.0 2796.4 2803.5 2809.7 2631.3 2504.1 2885.2 2696.7 4.02 3.98 3.97 3.95 3.92 4.22 4.06 3.76 16.26 16.41 16.47 16.53 16.67 16.62 17.25 15.96

trading range.

P/E ratio nii 1 Ordinary Share index sin	6.03 16.16 ce compliation			16.44 16.4 0= 49.4 26/064		
Ordinary Share how	dy changes					
Open 9.00 10.	00 11.00	12.00 13.0	0 14.00	15.00 16	00 High	Low
2794.3 2796.7 2797	7.6 2795.0 2	789.6 2790.	3 2786.0	2781.3 2776	6 2802.0	2771.9
_	May 8	May 7	May 3	May 2	May 1	Yr ago
SEAO bargains	32.021	33,944	35,237	32,540	31,202	27,536
Equity turnover (Sm)†	-	1857.6	2503.8	2439.7	1622.0	1531.9

May 8 May 7 May 3 May 2 May 1 Yr ago 1-ligh 1072.60 1075.00 1067.90 1062.30 1065.00 - 1075.00

Rises and falls'		52 Week highs t	and lows	LIFFE Equity optic	ons
Total Rises	421	Total Highs	103	Total contracts	51,356
Total Fatts	881	Total Lows	23	Calls Puts	23,819
Same	1.455	l		¹ Puts	27.537

C&W would link in the HKT together to defend their market results with news of the appointment of the new chief

xecutive. Meanwhile, vague takeover talk rumbled on, with the latest stories focusing on a possible bid move by a Chinese led consortium.

The market continued to look unenthusiastically at Tuesday's first-quarter figures from British Petroleum.

Despite producing sparkling first-quarter figures, the shares have languished and yesterday they fell 61 to 5621 n. Some worries about the oil price have been revived by the resumption of talks about the

embargo on Iraqi exports. Also, some brokers believe the easy money has been made and it is time to switch into Shell Transport. Shell eased only 312 to 8511 ap.

Motor components engineer Lucas Industries retreated 65: to 227p after another hectic session. The shares surged to an all-time high in heavy volume on Tuesday following news of talks with Varity, of the US. The stock racked a further 9.4m of turnover. Strong interim results drove Avon Rubber ahead by 28 to a new peak of 626p.

Royal Bank of Scotland

moved forward 5 to 527p after announcing encouraging figures. Analysts are now expected to raise the 1997 consensus forecast by around £40m to £750m.

Healthcare group Smith & Nephew gained 6: at 2013.p with help from a recommendation issued by ABN Amro Hoare Govett. Pharmaceuticals group

Zeneca added 5 at 1372p after announcing that it had agreed to sell its textile colours business to BASF for up to £138m. Talk of an engines joint venture between GE and Pratt and Whitney emerged after market hours.

The buzz was that the two
US leaders were getting

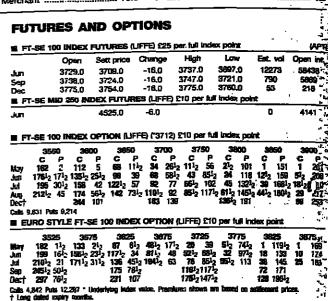
position against Rolls-Royce. The latter had earlier closed off 3 at 221p.

La Senza, the un-market lingerie chain making its market debut, demonstrated that it was commercially priced. Having been placed at 150p, it closed at 156p.

Reflective paint group Reflec made a strong start on AIM. It closed at 48p, against a flotation price of 40p.

Sweeteners group Tate & Lyle fell sharply as brokers downgraded profits expectations after it reported interim figures below the market's best estimates. The shares ended the day 14 lower at 462p.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.



TRADING VOLUME

4,800 4,800 1,200

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1,500 1,500

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103	F.P.	9.50	95	95	Capital Co's VCT	95		-	-	-	
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-	F.P.	52.3	158	155	tLa Senza	156		-	-	-	
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† Alterna Share Se	e inne	estmer: clas.	Market. F	or a l	tull explanation of all o	other sym	ibols, ;	dease re	ler 10	The L	ondon

FT GOLD	MINI	SI	NDE	X				
	May 7	% chg so day	May 6	Year 298	Gross div yield %	P/E ratto	52 w High	bok . Low
cid Mines Index (31)	2362.66	+2.1	2334,62	1942.87	1,30	_	2520,73	1722.9
Regional Indices								
Almaa (13)	3110,01	+16	3060,30	2703.50	2.31	37.76	3553.86	2272.74
Australasia (6)	2804.64	+1.8	2755,58	2470.65	236	29.87	2927.34	2098.5
Sorth America (12)	2119 17	+2.3	2071,20	1547.45	0.66	68.56	2186.39	1488.9

The UK Series

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FT-SE Mid 250	4504.4	-0.5	4525.5	4515.3			3.32	1.75	21.46		
FT-\$E Mid 250 ex Inv Trusts	4547.7	-0.4	4567.5	4555.7			3.42	1.80	20.26		
FT-SE-A 350	1883.8	-0.4	1892.0	1902.2			3.85	2.06	15.75		
FT-SE-A 350 Higher Yield	1808 E		1819.9	1834.6			5.13	1.90 2.34		42.83	1258. 1356.
FT-SE-A 350 Lower Yield FT-SE SmallCap	1966 3 2221.50		1971.4 2025.08			1615.4 1820.96	2.69 2.92	1.78		26.57 24.17	1816.
T-SE SmallCap ex Inv Trusts	2218.68					1798,46	3.08	1.87		25.34	1825.
T-SE-A ALL-SHARE	1870.23					1613,43	3.78	2.04		33.17	1581.
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12 Entractive Industries(6) 15 Off, Integrated(3)	4758.84 3378.09				3469.51		4.09	1.88		65.59	1485.
16 Oil Exploration & Prodi15)	2449.57				2482.85		2.14	1.59		32.05	1473.
20 GEN INDUSTRIALS(275)	2125.79				2153.96		3.99	1.89		33.74	1159.
21 Building & Construction(34)	1242.05	-0.3 1	245.76	1243.01	1251.05	985.46	3.32	1.80	20.95	18.04	1039.
22 Building Matts & Merchs(29)	1958.33				2003.07		3.88	1.71	18.83		990.5
23 Chemicals(25)	2512.20				2541.17		3.94	1.94	16.39		1187.
24 Diversified Industrials(19)	1777.20				1800.82		5.81 2.05	1.68 1.68	12.80 24.49		996.3
25 Electronic & Elect Equip(37) 26 Engineering(71)	2405.98 2450.99				2423.22 2497.79		3,05 3.12	2.47	16.24		1241. 1484.
27 Engineering, Vehicles(13)	3035.24				3023.87		3.51	1.92		48,83	1574.
28 Paper, Pckg & Printing(28)	2777,84				2792.13		3.66	2.03		41.62	1156.
29 Textiles & Apparel(19)	1423.12				1444.77		4.96	1.53	16.43	28.70	870.1
30 CONSUMER GOODS(80)	3453.53				3539.43		4.06	1.85		71.72	
32 Alcoholic Beverages(9)	2816.59	+0.5 2	803.39 2	903.31	2821.12	2793.57	4,41	1.63 1.82			1017.
33 Food Producers(23)	2472.06 2695.03				2499.92 : 2699.76 :		4.19 3.68	241	16.35	55.D4	1032
34 Household Goods(15) 36 Health Care(20)	2078.96				2048.57		2.56	1.88	26.05		1265
37 Pharmaceuticals(12)	4808.05				5044.89		3.54	1.86		B1.77	
38 7obacco(1)	4150.38				4235.44		6.08	2.00	10.29	156,18	1050.
40 SERVICES(253)	2492.89				2510.51		2.83	2.04	21.66		1295.
41 Distributors(32)	2932.88				2972.63 2 3234.08 2		2.85 2.75	1.76 1.95	24.62 23.34 1		1081.0 1725.9
42 Leksure & Hoteks(23) 43 Media(46)	3204.87 4190.55				1235.14		2.12	1.95	30.18		1517.
43 Metailera, Food(15)	1942.24				1920.04		3.87	240		19.54	122B.
45 Retailers, General(43)	2025.42				2046.60		2.98	2.20	19.03		1152
47 Breweries, Putts & Rest (24)	3118.86				37.55.50		3.20	2.05		16.79	1487.0
48 Support Services(49)	2346.85				2343.82 1		1.95	2.45		23.00	1492.1
49 Transport(21)	2418.08				435.18.2		3.59	1,40	24.87		1004.
60 UTILITIES(33)	2449.58				2536.33 2 2836.00 2		5.07 4.89	2.05 2.56	12.01		1038.9
62 Electricity(12) 64 Gas Distribution(2)	2857.04 1453.73				2535.00 2 547.63 1		8.24	2.36 1.36	9.98 1 11.17		1375.1 761.1
64 Gas Distribution(2) 66 Telecommunications(7)	2001.88				127.08 2		4.21	1.75		0.15	906.1
68 Water(12)	2112.51				142.26 1		5.78	2.59	8.37	3.61	1145.
69 NON-FRANCIALS(885)	1995.63				030.34 1		3.77	1.93	17.16	33,68	1513.
70 FINANCIALS(105)	2842.06				854.48 3		4.18	2.63	11.35		1228.
71 Banks, Retali(8)	3813.35 3541.52				1880.94 3 1595,35 3		4.08 2.78	<i>2 8</i> 9 2.38	10.60 1		
72 Banks, Marchant(B) 73 Insuranco(23)	1479.54				390.62 1		5.33	3.15	18.87 : 7.45 :		1121.6
74 Life Assurance(6)	3800.10	-Q.8 36	28.70 3I	543.21 3	633.30 2	591.26	4.15	2.22	13 53 1		
77 Other Financial(21)	2654,07				665.48 1		3.58	1.82	18.66	29.60	1505.4
79 Property(41)	1587.59				572.69 1		4.03	1.32	<u>23.53</u>	13.5 <u>4</u>	959.4
80 INVESTMENT TRUSTS(126)	3210.98				262 35 2		2.15	1.06	54.68		1119.7
B9 FT-SE-A ALL-SHARE(896)	1870.23	_			898.63 1	813.43 890.06	3.78	2.04	16.20		1581.0
f-SE-A Fledgling f-SE-A Fledgling ex Inv Trusts	1241.59 1250.52		43.14 1; 51.83 1;		244,99 252.85		2.76 2.96	2.1B 2.36	20.78 17.75		1295 7 1305.1
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Everything they once had has been There he is. Fourth row, second from left behind. Home, family, possessions, the left. The one with the moustache. all gone. They have nothing. Maybe not. The unsavoury-looking

hood slob with a grubby vest and a weekend's stubble on his chin. And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you

character you're looking at is more

likely to be your average neighbour-

Except for one thing.

Obvious really.

And nothing is all they'll ever have

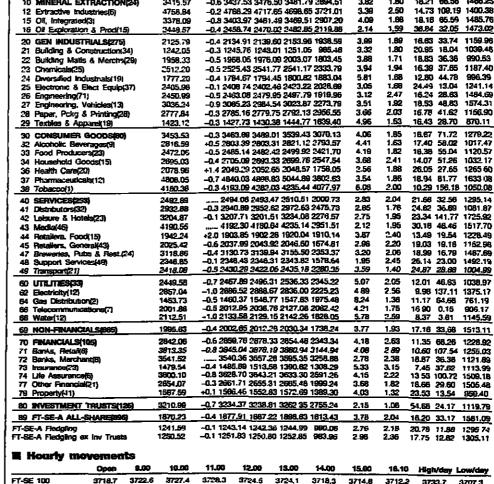
unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

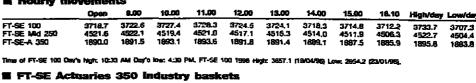


We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a

refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world, UNHCR Public Information

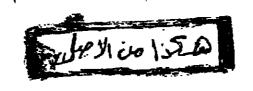
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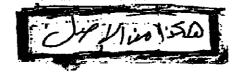


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HILRSDAY MAY9 1996



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Survival course. If the business decisions are yours, the computer system should be ours

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Dow falls further as tech shares tumble

Wall Street

US shares fell for a fifth consecutive session yesterday as the technology sector tumbled and investors worried that the bond market could weaken sharply after an afternoon auction of 10-year notes, writes Lisa Bransten in New York

The Dow Jones Industrial Average dropped nearly 79 points in early trading as bonds slipped, but later bounced off its morning low amid a recovery in the bond

By 1 pm the Dow was off 51.66 at 5,369.29 and the Standard & Poor's 500 had lost 6.18 at 632.08. The American SE composite shed 6.36 to 581.96. NYSE volume was 231m.

Activity on both the stock and bond markets was volatile ahead of the Treasury Department's afternoon auction of \$14bn in 10-year notes. Demand was weak at Tuesday's auction of \$19bn of three-year notes. Investors did draw some profit-taking and concern

comfort from the Beige Book a summary of the economy prepared by the Federal Reserve in advance of its May 21 Open Market Committee

meeting - which said price levels remained relatively steady. Meanwhile, technology shares sank amid pessimism about demand for semiconductors. The Semiconductor Industry Association was to release its book-to-bill ratio - which is seen as a key measure of demand for chips - after the market closed.

In early trading, the Nasdaq composite, which is about 40 per cent comprised of technology shares, was off 15.52 at 1,167.15 and the Pacific Stock Exchange technology index was 2 per cent lower.

America Online sank \$5% or 9 per cent to \$641 after the online service provider reported quarterly results that were generally in line with analysts' estimates. Some observers attributed the decline to a combination of

about a new pricing system announced by the company. Elsewhere, Associates First

Capital, which began trading yesterday, had garnered a premium of \$3 above its offering price of \$29 by midday. The financial services company, a unit of Ford Motor company, raised \$1.9bn by selling 67m shares at \$29 each.

Canada

Toronto was lower in midses sion trade, unable to avoid Wall Street's influence. The TSE 300 composite index was down 25.57 by noon at 5,141.40 in hefty volume of 53m shares.

BCE, Canada's largest com-pany, fell 75 cents in active trading to C\$53.85, with investors said to be profit-taking after the shares' recent sharp rises. Kinross Gold put on 15 cents at C\$12.55 ahead of results later in the day.

Rogers Communications eased 5 cents to C\$13.15 on Tuesday's news that it would

Mexico hit by US weakness

Mexico City reversed an early rise, bending to pressure from the weakness on Wall Street, and the IPC index was down 7.55 at 3.160.61 in midsession trade. ADRs of the benchmark Telmex were \$14 easier at \$3314 in New York, while

Supreme Federal Tribunal, overruling an injunction that had halted discussions on social security reform and effectively put on hold all of the government's reform plans. The Bovespa index rose 548.36 to 53,388.

Telmex L shares, the largest issue on the bolsa, declined 8 centavos to 12.54 pesos.

SAO PAULO picked up 1 per cent in morning trade as investors awaited a vote by the SAO makes continued its gentle bounce-back, ignoring US influences, and the Merval index was 3.70 higher at 564.76 by midsession, adding to gains made on Monday and Tuesday.

S African industrials at five-month low

Johannesburg's industrial shares dropped to a five-month low. Local and overseas investors fled the market after the rand collapsed, nearing its worst-ever level on rumours that the National party might

pull out of government. The industrials index as a sturdy bullion price and

plunged 203.6 to 7,939.8, pulling the overall index down 80.5 to 6.795.6. Golds, however, seen as the only safe haven for investors, spurted through 2,000 points for the first time in 17 months,

the weak rand benefited the shares. The golds index immed 51.5 to 2.007.5. De Beers finished 25 cents softer at R140, Sasol retreated R1.45 to R41.75 and Sappi surrendered R2.05 to R47.75, but adding more than 2.5 per cent Freegold climbed R2 to a new

high for this year of R51.

	EMERGING	MARKETS:	IFC WEE	KLY INVE	STABLE PRIC	E INDICE	5		
	No. af	May 3	Dollar terms	% Change	Local currency terms May 3 % Change % Change				
Market	stocks	1996	over week	on Dec '95	1996	OAL MOOK	on Dec '95		
Latin Americ	a (247)	512.43	-1.1	+8.6					
Argentina	(31)		-1.5	+8.1	529,285.94	-1.8	+7.7		
Brazil	(88)		-0.3	0.9 +	1,235.14	-0.3	+11.2		
Chile	(43)	731.14	-0.4	-2.3	1,191.72	-0.2	-2.3		
Colombia ¹	(15)	651.54	+3.2	+8.9	1,225,99	+4.0	+16.8		
Mexico	(65)	524.63	-2.6	+15.8	1,691,27	-1.5	+12.3		
Peru ^a	(20)	211,29	-0.2	+7.1	309.74	+0.7	+11.5		
Venezuela ³	(5)		-6.5	+35.7	4.887.21	-6.7	3.88÷		
Ania	(631)		+0.1	+17.1	• • •				
China ⁴	(23)	59.80	-4.7	+10.5	62.87	+4.7	+10.6		
South Korea			-0.5	+7.3	136.18	-0.6	+7.5		
Philippines	(35)		+0.9	+11.7	365.92	+0.8	+11.8		
Telwan, Chin			+1.1	-24.3	142.92	+2.0	+23.7		
India ⁷	76		-1.3	+30.0	128.15	-0.3	+27.7		
Indonesia*	(44)		-3.8	+13.5	157.53	-3.7	+15.6		
Malaysia	(123)		+0.1	+21.0	302.12	+0.1	+18.9		
Pakistan ^o	(25)		+5.3	+14.6	440.00	+5.3	+16.7		
Sri Lanka®	(5)		-1.9	+4.9	130.43	-1.3	+7.9		
Thalland	(72)	382,14	+2.1	+1.7	389.37	+2.0	+2.0		
Euro/Mid Es			-0.2	+0.9	40010 .	1210			
Greece	(47)		+0.2	+0.5	399.73	+0.3	+3.3		
Hungary**	(8)	154.37	+3.6	+56.8	274.17	+3.2	+69.4		
Jordan	(B)	178.01	0.0	-3.6	265.74	0.0	-3.6		
Poland ^a	(22)		+0.7	+52.4	1.087.68	+0.9	+64.3		
Portugal	(26) (26)		+0.9	+6.0	132.52	+1.3	+11.5		
South Africa			-1.0	-8.5	214.17	-1.6	+10.3		
Turkey*	(54)		-0.8	+43.4	5,361,22	+2.8	+79.4		
Zimbabwe ⁸	(5)		-3.5 +1.8	+31.5	522.02	+1.5	+38.4		
	(11 16)		-0.4	+16.1	JEZ.UZ	71.5	700:7		
Composite	(11 10)	304./0	-0.4	+10.7					

Poland's stock market must grow faster to accommodate potential foreign demand and avoid the risk of "speculative bubbles", Mr John P. Birkelund, the head of Dillon Read, warned this week as the Wig index hit a 52-week high yesterday after climbing by 6 per cent in three days, writes Christopher Bobinski in Warsaw.

The Warsaw Stock Exchange is still too thin and too small," he said of the market, established five years ago, which currently quotes 73 stocks whose capitalisation yesterday stood at \$8.1bn. The Wig indicator has risen by 74 per cent since the end of last year.

Mr Birkelund was in Warsaw for a meeting of the US Congress financed Polish American Enterprise Fund, which has \$340m worth of public and private funds invested in Poland. He praised the WSE authorities for running the most "transparent" of the markets in the former Soviet bloc countries. But he is also looking to the government and managers of 15 funds established last year under the country's Mass Privatisation Programme to speed public offers and not allow the growth of the WSE to lose

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FT/S&P ACTUARIES WORLD INDICES

.186.49

207.70

.162.93 .297.31 .186.50 .194.54

A21.27

175.99

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MATIONAL AND REGIONAL MARKETS

Carada (98)... Carada (98)... Denmark (30)... Franca (97)...

Netherland (19 New Zealand (

Europe Ex. UK (517)

EUROPE

Bourses weakened by Dow, rate worries

Interest rate worries, and more weakness on Wall Street, put pressure on bourses. ZURICH, which closed before the Dow's morning low, still dropped 1.4 per cent, the SMI index losing 49.5 at 3.534.1.

Core blue chips were led down by Roche certificates, which fell SFr135 to SFr9,405. Other pharmaceuticals remained weak, with Ciba falling another SFr14 to SFr1,348 and Sandoz down SFr15 to SFr1,270. Goldman Sachs, however, reiterated its priority list recommendations for both companies, expecting that their merger into Novartis would go ahead by the end of ner in spite of the EU

anti-trust inquiry.
Rate worries left financials weaker. UBS lost SFr10 to SFr1,218, while Winterthur, which reported a 15.1 per cent rise in 1995 net profit, was down SF15 at SF1760.

Adia was suspended as the market digested news of its planned merger with France's Ecco into the world's largest temporary employment agency. Mr David Sheridan at James Capel, who was upbeat on Adia's outlook before the news, said that he was more positive on the company's prospects after the merger. He raised his 12-month target share price for Adia from with SFr285 at Tuesday's close.

AMSTERDAM backed off as Unilever went ex-dividend, as KLM dropped on a broker's earnings downgrade, and as profits were taken in financials. The AEX index fell in line with Zurich, off 8.03, or 1.4 per cent, at 551.56.

Unilever, net, fell in line with the market. KLM and the financials ING and ABN Amro underperformed: the airline shed Fl 2.70 at Fl 60.20 after Theodor Gillisen cut its 1996-97 earnings estimate from F16.50 to FI 5.25 a share, saving that the carrier faced increased competition and rising costs; ING fell Fl 2.40 to Fl131.50 and ABN Amro Fl 1.50 to Fl 88.40. Speculators had to be quick.

The engineering consultancy Heidemij was up 70 cents, or nearly 7 per cent, at Fl 15.70 at one point on rumours that one investor was building a limited stake. At the close the gain was 30 cents at F1 15.30. FRANKFURT had an uncom-

fortable afternoon but, in the end, the Ibis Dax index indicated a below-average decline of 20.01 to 2.456.78. Dealers said, however, that relatively turnover, down from DM8.1bn to DM7.7bn, took any edge off this performance.

There were individual winners. SGL Carbon, down DM7

FT-SE Actuaries Share Indices Open 10.39 11.00 12.00 13.00 14.00 15.00 Close Hourty changes F7-SE Europrack 100 1656.84 1665.00 1884.89 1660.83 1680.19 1656.02 1685.66 1654.88 F7-SE Europrack 200 1708.33 1707.84 1707.77 1705.30 1704.69 1700.47 1702.29 1699.30

to DM141 on Tuesday after Hoechst said that it was going to sell its remaining 50 per cent stake in the company before the end of this year, looked again at a 55 per cent increase in first-quarter profits and, said Mr Udo Becker at Merck Finck in Düsseldorf, at good prospects for the second and third quarters of this year. The shares soared by DM15 or 10.6

per cent to DM156. In blue chips, Hoechst itself fell in company with BASF and Merck, closing DM9.60 or 2 per cent lower at DM471.40. However, Volkswagen did well, ris-ing DM7 to DM522 on a surge in first-quarter profits, and the forecast of a slight increase for the full year.

MILAN viewed Wall Street's weakness as an excuse for further profit-taking and the Comit index fell 6.32 to 653.91. UBS, however, said that its gamble on Italy had paid off, but it was in no hurry to take

May 1 Apr 30 May 3 May 2 1681.27 1679.81 profits and to move on "Even after gaining 13 per cent in April, it still seems one of the

better European markets to be

invested in over the next few

Among insurers, Ina fell L14

THE EUROPEAN SERIES

to L2,278 and Ras was L217 down at L17,068 after both groups reported sharp rises in 1995 profits, recovering from the problems faced in 1994 when write-downs hit invest ment portfolios. Generali, which reported results on Tuesday, lost L721 to L38,456.

months," UBS said.

The telecoms sector was weak, with Tim down L74 to L3,269; some dealers were saying that the Fininvest-British Telecom link-up could pressure the group.

STOCKHOLM saw Ericsson buck the market's broadly weaker trend as the telecoms group reported a better than expected 28 per cent jump in first-quarter pre-tax profits. The Affärsvärlden General

index eased 7.3 to 1,947.1. dragged down by the forestry: sector, which lost 1.2 per cent. Ericeson picked up SKr1.5 to SKr144, while among the day's other corporate reporters, Scania edged down SKr0.50 to SKr189.50 and Nordbanken

picked up SKr1.5 to SKr117. HELSINKI was pulled back as Nokia A hit an intra-day low of FM172, off FM6, ahead of the telecom group's first-quarter figures today; but dealers then saw the Ericsson progress report, Nokia ended at FM175 and the Hex index down a per-

centage point at 1,985.28. Raisio, weakened on Monday by a profits warning, climbed back into record territory on the excitement over its new margarine, Benecol, ending FM10 higher at FM175.

Among early closing mar-kets, VIENNA ended flat in spite of a disappointing first quarter at AMS, which left the chipmaker down Sch96 or 7.4 per cent at Sch1,199. The ATX index closed 0.89 higher at 1,110.99. BUDAPEST added to its string of highs with the Bux index up 67.42 or 2.4 per cent at 2,857.37, but TEL AVIV wog ied about a rise in the sheker and the Mishtanim index slid 2.78, or 1.4 per cent, to 201.56.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei recovers after four-session 3.3% loss

nation awaited clear results

Tokyo

Bargain hunting lifted share prices and the Nikkei average recovered 1.1 per cent, following a 3.3 per cent loss over the previous four trading days, writes Emiko Terazano in

The 225 index closed up 283.82 at the day's high of 21,728.60 after a morning low of 21,432.48. In early trading the overnight decline on Wall Street weighed on investor confidence; but eventually bargain hunting by domestic institutions prevailed.

Volume totalled 440m shares, against 450.1m. Domestic Institutional buying offset arbitrage unwinding, while individual investors and dealers targeted speculative stocks.

The Topix index of all first section stocks rose 10.71 to 1,681.18 and the Nikkei 300 by 2.16 to 316.85. Advances led declines by 860 to 404, with 172 issues unchanged.

index eased 0.39 to 1,459.84.

Traders said some domestic institutions were increasing their exposure to companies expected to report favourable earnings ahead of next week's start of the annual results season. "Confidence is not strong enough for buying across the board, but some investors have started stock picking," said a Japanese broker.

High-technology shares gained ground on hopes that demand for semiconductors in the US, which had been declining in recent months, was about to bottom out. The electrical engineering sector rose 1.3 per cent, Hitachi gaining Y10 at Y1,110 and Toshiba Y12

at Y812. Carmakers advanced 1.4 per cent after their recent decline on the rise in the yen. Toyota Motor rose Y30 to Y2,370 and Nissan Motor Y11 to Y863.

Speculative favourites fluctuated wildly. Sakai Heavy Industries, the most active issue of the day, rose Y150 to Y1,590 and Topcon, a medical optical instrument maker, gained Y90 to Y1,650. Janome

| Index | Inde

201.13 245.84 183.27 211.35 263.04 297.80 117.93 177.01

175.45 212.60 226.93 242.93

142.72 264.77 157.95 251.12 147,11

182,58 177,43 183,19 180,16 183,56 183,56 183,56 183,56 183,56 183,57 143,80 184,30 184,30 184,30 184,30 184,30 185,30 18

195.26 186.46 247.69 169.46 176.44 206.86 242.82

206.88 139.11
181.55 122.22
203.58 137.04
155.71 104.81
159.47 107.34
291.34 198.11
186.57 125.69
191.48 125.69
109.45
414.89 279.14
270.43 182.03
81.61 54.94
168.38 108.41
168.38 108.41
168.38 108.41
168.38 108.41
286.40 377.54
1208.68 813.74
286.17 192.53
243.01 182.58
243.01 183.58
243.01 183.58
243.01 183.58
243.03 158.58
243.03 158.58
243.03 158.58
243.04 179.25
179.99 120.55
225.149 179.32

235.45 168.51 203.67 137.10 291.82 196.43 170.76 114.94 184.36 124.10 251.34 196.21 186.34 125.43 287.14 193.29 186.38 124.79 205.42 133.97

205.42 234.97

189.90 164.25 235.34 137.71 146.68 202.73 180.27 231.57

210.65 207.31 139.55 167.19 180.09 214.52 181.82 187.59

158.17 189.49

Sewing Machine, which had

been actively bought over the past few trading sessions, fell Y120 to Y2,020 on profit-taking. In Osaka, the OSE average moved up 54.38 to 23,309.71 in volume of 39.7m shares.

Roundup

Political analysts worried after Tuesday night's predictions of a hung parliament in India. saying that a congress/left coalition could slow political reforms. After an initial fall. however, foreign institutional investors bought aggressively. and BOMBAY's 30-share index closed 54.38 or 1.5 per cent up at 3,767.25, having registered a day's low of 3,658.91.

Traders said the market was extremely volatile, as the from the general elections. However, the foreign institutions bought into a sheaf of stocks, including Reliance, which reported net profits up from Rs10.65bn to Rs13.05bn, and rose Rs5 to Rs251.25 with some 6m shares traded. KARACHI seemed to be

going nowhere at midsession. as news of another bomb blast in the Punjab weighed upon sentiment. However, the successful sale of a 26 per cent strategic stake in the state-run Banker's Equity seemed to turn the mood and the KSE-100 index closed 35.76 or 2.1 per cent higher at 1,761.04 in volume up from 12.15m shares to 17.77m.

MANILA climbed 1.7 per cent to an 18-month peak on

tors, the composite index rising 51.78 to 3,066.05 in 12.9bn shares dealt worth 2.97bn pesos. PLDT, described as oversold, rose 70 pesos or 5 per cent to 1,460 pesos after rumours that the telecoms group's firstquarter net income would be better than expected. SINGAPORE and KUALA

encouraging economic indica-

LUMPUR subsided after overnight weakness on Wall Street, the Straits Times Industrial losing 24.33 at 2,371.83 and the KLSE composite 10.15 at 1,151.79, Investors in both markets were also concerned by Malaysian finance minister Mr Anwar Ibrahim's statement on Tuesday that the country had registered a trade deficit in

SESSION 4: ECONOMIC PROGRAMMES OF THE

IMPLICATIONS FOR RUSSIAN FINANCIAL MARKETS

Panel discussion with Senior Representatives from the Communist Party of the Russian Federation; the Liberal Democratic Party of

GAZPROM SHARES AND STOCK MARKET: WHAT TO EXPECT

SURGUTNEFIEGAS SECURITIES: TARGETED TO THE WORLD .

UNIFIED ENERGY SYSTEMS OF RUSSIA AND ITS SUBSIDIARIES

TELECOMMUNICATIONS: IN NEED OF DEBT AND EQUITY

FINANCIAL AND INDUSTRIAL GROUPS AS INVESTMENT

PRESIDENTIAL CANDIDATES PARTIES

Russia; "Our Home is Russia" and "Yabloko

DEPOSITORY RECEIPTS: WHY ISSUE?

R Simonian, First Vice-President, Rosneft

V Schmidt, Vice President, LUKoil

Speaker from Gazprom

STOCK MARKETS

C Granville, Head of Research, United City Bank

SESSION 5: RUSSIAN CORPORATE SECURITIES

N Olshanova, Deputy General Director, Surgutneftegas

INITIAL PUBLIC OFFERINGS: FUTURE PROSPECTS

SESSION 6: RUSSIAN CORPORATE SECURITIES

A Lopatin, Director, Department of Securities, UES

V Boldin, Ministry of Communications, Russia

I Ermakova, Chairman of the Board, "Ruschim"

SESSION 7: GOVERNMENT SECURITIES

SEOUL took profits, and the

composite index fell 10.07 to 976.77 after a 1996 intra-day high of 992.07. News that the government would allow financial companies to raise their paid-in capital by a total of Won700bn in the third quarter shook share prices in late trading, the banking and financial sub-indices failing by 1.2 and

1.3 per cent respectively. SYDNEY saw profit-taking in resource stocks and weaker profits from News Corp, which left the latter 15 cents lower at A\$7.05 as the All Ordinaries index eased 9.80 to 2,298.50. HONG KONG, short of impetus, left the Hang Seng index 84.85 lower at 10.617, while SHANGHAI Bs slid 0.716 or / .4 per cent to 50.836. Under pressure from late liquidations by







A conference convened by THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS and CENTRE FOR FOREIGN INVESTMENT AND PRIVATIZATION

in association with FINANCIAL TIMES and FINANCIAL IZVESTIA

London, 20 & 21 May 1996





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B TIECK III

Opening Address: A Kazakov, Deputy Prime Minister, Chairman, State Property Committee.

G de Selliers, Deputy Vice President and Director of Russia Team, EBRD <u>SESSION 1</u>: RUSSIAN FINANCIAL MARKETS – WHAT ARE THE

STATE OF THE RUSSIAN STOCK MARKET D Vasiliev, Chairman, Federal Commission on Securities and Stock

RUSSIAN FINANCIAL MARKETS: SPECIFICS OF DEVELOPMENT S Aleksashenko, First Deputy Chairman, Central Bank of Russia

I Lipkin, First Deputy Chairman, Federal Property Fund, Russia FINANCING THE STATE BUDGET: ROLE OF GOVERNMENT BONDS B Zlaticis, Head of the Securities Department, Ministry of Finance, Russia

PRIVATIZATION: NEW OPPORTUNITIES

SESSION 2: RUSSIAN CAPITAL MARKET INFRASTRUCTURE AND REGULATORY ENVIRONMENT LEGISLATION OF THE RUSSIAN STOCK MARKET ACTIVITIES:

WAYS OF DEVELOPMENT R Orekhov, Head, State Legislation Department, Presidential Administration and First Deputy Chairman, Federal Commission of Securities and Exchange, Russia

RUSSIAN STATE DUMA: REGULATING GOVERNMENT M Zadomov, Chairman, Budget Committee, State Duma, Russia STATE ANTIMONOPOLY REGULATION OF THE STOCK MARKET V Belov, Deputy Chairman, State Antimonopoly Committee

STATE SECURITIES MARKET INFRASTRUCTURE Speaker from Moscow International Currency Exchange (MICEX) SESSION 1: RUSSIAN CAPITAL MARKET INFRASTRUCTURE

RUSSIAN STOCK MARKET DEVELOPMENT: INSTITUTIONAL D Ponomarey, President, PAUFOR

REGIONAL STOCK MARKETS IN RUSSIA V Korovkin, Director, Foreign Investments, Federal Stock Corporation INFORMATION AND TRADING SYSTEMS: FUTURE PROSPECTS K Merzlikin, General Director, Interfax-Dealing OVER-THE-COUNTER TRADING

A Datsenko, General Director, Moscow Partners (Securities) RUSSIAN ISSUERS: TRENDS AND PROSPECTS A Kushnarev, Managing Director, CFIP Financial Management Group

EMERGING REGISTRATION SERVICES D Shatiloff, President, National Registration Company

RUSSIAN CENTRAL BANK AND GOVERNMENT SECURITIES A Kozlov, Deputy Chairman, Head of the Securities Department; -Central Bank of Russia GOVERNMENT BONDS: TODAY AND TOMORROW S Gorbachev, Member of the Board, Alba-Aliance Bank MINFIN BOND MARKET DEVELOPMENT Y Kondratyuk, Deputy Chairman, International Moscow Bank

FINANCING

TARGETS

SESSION 8: PANEL DISCUSSION – POLITICAL AND FINANCIAL RISKS IN RUSSIA 5 Aleksashenko, First Deputy Chairman, Central Bank of Russia M Urnov, Head of the Analytical Directorate in the Russian President

Prof R Layard, Director, Centre for Economic Performance London

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